Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr.38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon .. £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $65
France .. FFr. 6.00	Mexico .. Pes. 380	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,549 Wednesday February 13 1985 D 8523 B

Hong Kong getting back to the money-making, Page 17

World news

Reagan 'misleading public on Salvador'

The Reagan Administration has been charged with misleading the American public over increasing U.S. involvement in the war in El Salvador in a manner "reminiscent of Vietnam," in a bipartisan congressional report.

The report by the arms control and foreign policy caucus accused the Administration of having supplied "insufficient, misleading and in some cases false information" on economic and military aid for El Salvador.

It said that the aid, which will total at least $557m this year, was worsening the country's problems and would prolong the war. The report is likely to provide new ammunition to opponents of President Reagan's Central American policies. Page 4

Iraqi raids

Iraq said its troops launched fresh attacks in two areas of the Gulf war front, seizing several Iranian positions and causing severe casualties. Shipping sources said the 118,215-ton Greek-owned tanker Fellowship L was hit in an Iraqi missile attack near Kharg Island.

Sidon withdrawal

Israeli troops began dismantling their main front-line checkpoint on the Beirut-Sidon road. A Lebanese Army commander said they might leave Sidon in 48 hours. Page 3

Dikko sentences

A Nigerian and three Israelis were jailed for a total of 46 years in London after confessing that they drugged former Nigerian Transport Minister Umaru Dikko and tried to smuggle him from London to Lagos in an aircraft baggage crate. Page 3

Minister quits

Canadian Defence Minister Robert Coates resigned over published allegations that he visited a West German night club that featured nude dancers and prostitutes. He said he had begun legal action against a newspaper that suggested he had breached Canadian security.

Reagan pledge

President Reagan held a second round of talks with King Fahd of Saudi Arabia and assured the King he had not given up the U.S. Middle East peace plan.

Hussein in Algeria

King Hussein of Jordan flew to Algeria and diplomats said they expected him to seek support for joint efforts with PLO leader Yassir Arafat to revive the Middle East peace process.

Springer arrests

Two more suspects were arrested in connection with the kidnapping of the grandson of West German publisher Axel Springer: a Greek woman in West Berlin and a student in Munich.

Soviet rumours

Western diplomats reported that Soviet sources were spreading confusing rumours in Kabul, saying Afghan President Babrak Karmal might be replaced and the country's capital transferred further north. The diplomats discounted both rumours.

Soviet corruption

A senior Soviet prosecutor called for firmer measures against crime in state institutions, saying corruption extended from a big gold enterprise in Siberia to cotton factories in central Asia.

Weapons ban urged

President Reagan urged the Geneva disarmament conference to agree on a worldwide chemical weapons ban.

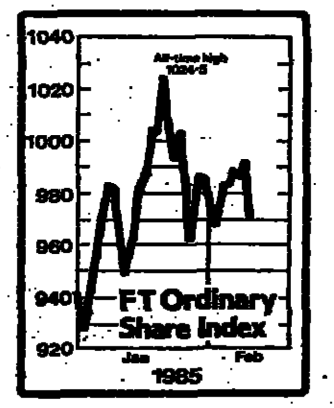
Business summary

Phillips offer revised by Icahn

CARL ICAHN, Wall Street financier, revised his tender offer for Phillips Petroleum. He said he would offer $60 in cash for each of 70m common shares, and subsequently $50 in securities for the rest. Page 19

DOLLAR rose in London trading, closing at DM 3.2950 (DM 3.2750); FFr 10.0450 (FFr 9.990); SwFr 2.8010 (SwFr 2.7940) and Y263.15 (Y261.60). On Bank of England figures the dollar's index rose to all-time high of 151.1, from 150.3. In New York it closed at DM 3.2905, SwFr 2.7965, FFr 10.04 and Y 263.05.

STERLING fell to its lowest level against the dollar, falling 85 points, to close at $1.0880. It fell to DM 3.5850 (DM 3.5925); FFr 10.9225 (FFr 10.94); SwFr 3.0475 (SwFr 3.0650) and Y286.25 (Y276.75). The pound's exchange-rate index fell to 71.0 from 71.1. In New York it closed at $1.089.



LONDON gilts eased on concern about sterling, while equities showed sharp fall with the F.T. Ordinary index dropping 21 points to 970.1. Section III

WALL STREET: The Dow Jones industrial average closed 0.55 up at 1,276.61. Section III

TOKYO: The Nikkei-Dow market average went to a new high of 12,027.89, a rise of 18.88. Section III

GOLD rose $2.50 on the London bullion market to $302.50. In Zurich it rose to $302.75 from $300.00. In New York, the Comex March settlement was $302.60.

KENYA'S output of tea should be boosted by unexpected rains this month, a senior tea trade official said.

HONG KONG set up its first central diamond exchange which will officially begin trading next month. It has over 100 members.

WEST GERMAN bankruptcies reached an annual record of 16,760 last year, 4 per cent up on 1983, the Federal Statistics Office said.

TURKEY'S wholesale prices – the country's main inflation indicator – rose 5.5 per cent in January; their biggest one-month increase since May last year.

ESTIMATES of Florida's citrus crop were reduced by 13 per cent during January to 104m boxes because of the coldest and longest January freeze to hit the state this century, the U.S. Department of Agriculture said. Page 38

UNION CARBIDE said it planned to restart production of methyl isocyanate at its plant in West Virginia on April 1. Page 4

KRAUSS-MAFFEI, the West German arms group, said it had halted development of the third generation of the Leopard, the country's main battle tank. Page 18

GOODYEAR Tire and Rubber, the world's largest rubber producer, reported slightly lower fourth quarter net earnings at $105.3m, compared with $106.9m in the 1983 quarter.

POLAROID of the U.S., the world leader in instant photography, posted sharply lower net profits of $25.7m in last year, compared with $49.7m in 1983.

Thatcher denies ordering Falklands secrets trial

MR NEIL KINNOCK, leader of Britain's opposition Labour Party, yesterday refused to accept Prime Minister Mrs Margaret Thatcher's denial in parliament that she was involved in the decision to prosecute a senior civil servant over his leaking of papers relating to the Falklands war, writes Our Political Staff in London.

Mr Clive Ponting was acquitted on Monday of secrets charges arising from his sending documents about the sinking of the Argentine cruiser General Belgrano to a Labour member of parliament.

His acquittal on charges under the controversial Section II of Britain's 1911 Official Secrets Act has provoked a heated row in parliament over the role of civil servants and UK laws on secrecy and access to government information.

Mrs Thatcher insisted yesterday that she was on holiday when the decision to prosecute Mr Ponting was made.

Mr Kinnock declared, however: "Frankly, I do not believe the right honourable lady."

She pressed him unsuccessfully to withdraw the statement, amid uproar in the House of Commons. She later issued a statement, rejecting his charge as "utterly untrue" and demanding an immediate withdrawal and apology.

The row between the two party leaders casts a shadow over the Conservative Government's plan, also announced yesterday, to hold a debate next Monday on the sinking of the Belgrano.

Labour contends that this is a deliberate red herring to allow the Government to focus on the Falklands war, rather than ministerial conduct. Labour wishes to focus on alleged ministerial misconduct, in the changing of the rules of military engagement and an alleged cover-up, and says the scope of the proposed debate is too narrow.

Mr Ponting claims that he sent the documents to Mr Tam Dalyell because he believed that parliament was being misled by the Defence Ministry about the events leading up to the sinking

Conservative parliamentary managers said last night that Labour's demands relating to next week's debate would not be met unless Mr Kinnock withdrew his statement about Mrs Thatcher. A breakdown of normal relations between Government and opposition might well ensue, they warned.

Mr Kinnock, however, had told the House of Commons earlier: "My words stand unless and until I receive adequate explanation of the decision, in the circumstances, to prosecute Mr Ponting when no breach of national security had taken place."

Mr Kinnock last night confirmed in a letter to Mrs Thatcher that he maintained his position.

Labour business managers, for their part, were considering retaliatory action if the Government refused to give ground over next week's debate, such as putting down a motion for the impeachment of the Prime Minister, or holding a debate in opposition time.

Members of the Government insist that Mr Kinnock's position, which, they say, casts more doubt on the integrity of the Attorney General, Sir Michael Havers, than on that of the Prime Minister, is untenable and must be withdrawn before normal business relations can resume.

In the House of Commons yesterday, Sir Michael accepted full responsibility for the decision to prosecute and denied that it was taken hastily. The decision, he said, was taken while he, too, was on holiday – but only after a "very lengthy telephone conversation."

Mrs Thatcher had accepted the jury's unanimous verdict as "a fundamental part of our constitution." She said: "That is not a derogation from democracy but an example of it."

Mr Kinnock made it clear that he intended to continue to probe the political implications of Mr Ponting's prosecution.

In their exchanges yesterday, he asked Mrs Thatcher: "Did you know about the proposed deception of

Continued on Page 18

Minister at centre of row, Page 8

Dollar rises to new peaks in Europe

BY MAX WILKINSON IN LONDON AND OUR FINANCIAL STAFF

THE DOLLAR continued its record-breaking rise in rather thin trading at the expense of most other currencies.

It surged above DM 3.30 for the first time in more than 13 years and also hit all-time highs against a range of other currencies, including sterling, the French franc, the Italian lira, the Spanish peseta and the Australian dollar.

Sterling was pushed down to a new record low of $1.088, somewhat above the lowest trading point of $1.0845 but 1 cent below its London closing value on Monday.

In Paris, the dollar was fixed above FFr 10 for the first time and later rose to FFr 10.0425.

In thin early afternoon trading in New York, the dollar eased with many U.S. banks closed for the Lincoln's birthday holiday.

Currency dealers said the dollar's latest surge was boosted by a growing belief that central bankers in Europe and the U.S. are in a dispute over the merit of intervening in the market.

While West Germany's Bundesbank is thought to have repeatedly lobbied for and led European concerted intervention, the U.S. continues to sell dollars half-heartedly, they said.

Traders reported there was no sign yesterday that the central banks were trying to defend their currencies. In their absence, the dollar continued to move to higher ground.

Governors of leading central banks, meeting at the Bank for International Settlements in Basle, appear to have reaffirmed their general agreement to take coordinated action in the currency markets to defeat dollar speculation.

They also seem to have agreed, however, that there is little that they can do at present to stand against the markets' persistent desire to push the dollar upwards.

Sterling, meanwhile, held up reasonably well against other currencies yesterday in spite of the pressure from the dollar. It dropped only 0.1 of a point on the Sterling index against a trade-weighted basket of currencies to finish at 71.0 (1975=100) in London.

Sterling has now depreciated by 6 per cent against the dollar since the turn of the year, but only 1.8 per cent against the D-Mark. The dollar's trade-weighted index rose 4.2 per cent in the period, while the sterling index fell 2.7 per cent.

At the beginning of January the three-month sterling interbank rate stood at just under 10 per cent, but yesterday it rose ¼ of a percentage point to 14¼ per cent, while government securities prices weakened again.

Rising money-market interest rates reflected a general view in London that a cut in British banks' base lending rates from the present 14 per cent is no longer on the immediate horizon.

UK budget feature, Page 17; Lex, Page 18; Money markets, Page 39

Chernenko unable to meet Papandreou

By Patrick Cockburn in Moscow and David Buchan in London

ILLNESS yesterday prevented President Konstantin Chernenko from meeting Prime Minister Andreas Papandreou of Greece, who is on a three-day official visit to Moscow.

The abrupt cancellation of the meeting, only a few hours before it was due to take place, has intensified speculation about the state of health of the 73-year old Soviet leader who has not been seen in public this year.

The inability of Mr Chernenko to meet Mr Papandreou, with whom Moscow has cultivated a special relationship, is the most serious evidence so far that the Soviet leader's illness is incapacitating, despite an official press report that he addressed last Thursday's Politburo session.

It also coincides with the first public admission by a senior Soviet bloc official of the nature of Mr Chernenko's illness.

Mr Matyas Szuros, the Hungarian Communist Party Secretary for Foreign Affairs, said on Budapest radio on Monday night that Mr Chernenko "has had respiratory problems in the past. This bitterly cold winter has been very trying even for healthy people, and he is not a young man." This appeared to confirm Western diagnoses that the Soviet leader suffers from emphysema, a lung condition which makes breathing difficult.

Soviet allies never referred publicly at the time to the terminal illnesses of Mr Chernenko's two predecessors, Leonid Brezhnev and Yuri Andropov, though they were

Continued on Page 18

Brussels may force airlines to compete

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission is considering legal action against European airlines for restrictive business practices in breach of EEC competition laws.

Airlines, with their network of bilaterally negotiated pricing and traffic agreements, have to all intents and purposes operated outside the scope of the EEC competition laws which are based on the principle of free competition.

A range of legal options has been drawn up by lawyers. This is now on the desk of Mr Peter Sutherland, the new commissioner for competition.

Mr Sutherland is drawing up his priorities for the next four years. A drive to force airlines into more free competition is expected to emerge as one of them.

Legal action would effectively run in parallel with an initiative of the Commission, drawn up last year by the transport directorate, aimed not at total deregulation but at liberalising the EEC airline system.

This initiative, which has had a cautious response from airlines and governments, seeks to temper the present system of bilateral agreements by allowing individual airlines greater freedom to change price structures and introduce new services.

In return, the Commission would grant airlines exemption from certain aspects of the competition laws. There is a blanket prohibition in the laws against price-fixing and collaborative business practices which distort trade.

The options open to Mr Sutherland include the use of three articles of the Treaty of Rome which established the EEC:

- Article 89, where the Commission has its own powers to investigate infringements of free market principles and authorise member states to take remedial action;
- Article 90, which states that undertakings operating services of general economic interest shall be subject to competition laws when the application of the laws does not obstruct performance;
- Article 169, which states that the Commission can deliver a reasoned opinion on what it sees as a failure of a member state to meet Treaty obligations and can take it to the European Court of Justice if it fails to comply with the opinion.

This last option is of direct relevance to state-owned airlines.

Lawyers are watching closely the progress of several cases now before the European Court. Mainly from France, the cases have the common element of seeking to assert the primacy of community over national law. The cases concern the ability of a government to fix prices.

There is confidence in Brussels that the court will follow the same principle as in its judgment on the Leclerc petrol prices case last month. This told the French Government that it should change its system of price fixing and helped lead to the abandonment of price controls. Similar judgments in the aviation cases would give the Commission a firm base on which to act against airlines, lawyers think.

Arafat and Hussein agree joint peace initiative

By Tony Walker in Cairo and Rami Khouri in Amman

KING HUSSEIN of Jordan and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation (PLO), appear to have achieved a breakthrough in their attempts to agree on a joint Middle East peace initiative. They have linked United Nations Middle East resolutions with an Arab League summit plan of 1982 as the basis for a possible settlement of the Palestinian issue.

A "framework" agreement, reached in Amman on Monday, seems likely to give fresh impetus to King Hussein's peace initiative which appeared to have been bogged down by PLO objections to his proposal that UN Security Council Resolution 242 form the basis for a settlement of the Arab-Israeli conflict.

The PLO has always objected to Resolution 242 because it does not address Palestinian claims to self-determination. By linking the Fez plan of 1982 with UN resolutions, however, this problem would be overcome because the Arab summit plan specifically demands an independent Palestinian state in the region.

But Western diplomats in Cairo cautioned that there remained a huge gap between the respective negotiating positions of parties to the Middle East conflict. They noted that Israel had steadfastly refused to consider the possibility of direct negotiations with the PLO.

Soon after his agreement with Mr Arafat, King Hussein telephoned King Fahd of Saudi Arabia, who is in Washington for talks with President Reagan. The Saudi monarch is a key moderate figure in Middle East peacemaking efforts.

He held an unscheduled breakfast meeting with the U.S. President yesterday at which Mr Reagan assured the King he had not given up the U.S. Middle East peace plan.

The White House meeting followed talks on Monday in which King Fahd called for a more vigorous role in the peace process.

In an interview with the New York Times, however, Mr Reagan reiterated Washington's view that the way to peace was through direct negotiations between Israel and Jordan.

An important element of the Hussein-Arafat accord is that each side is committed to joint action, which precludes any possibility of Jordan going it alone in negotiations with the Israelis. The U.S. and Israel have at times sought to draw King

Continued on Page 18

Militia withdraws from Sidon, Page 3

IBM launches new mainframe as profit warning hits shares

BY PAUL TAYLOR IN NEW YORK

IBM, the world's largest computer maker, yesterday unveiled its long-awaited new generation of mainframe computers – codenamed Sierra – and cut the prices of its existing top current machines while announcing a number of improvements.

The new machines are expected to consolidate further IBM's grip on the market for mainframe computers and result in additional pressure on IBM's rival competitors, raising the possibility of a further industry shakeout.

The announcement of the new IBM machines, coupled with a series of other developments, including warnings from both IBM and Data General on slower profits growth, helped to send Wall Street computer stocks into a downward spiral in early trading yesterday.

IBM already has at least 75 per cent of the U.S. market for mainframe computers, which accounted for $11.8bn out of its total $45.9bn in revenues last year. Yesterday's announcements from the company were seen by Wall Street as illustrating the computer giant's determination to continue to dominate the marketplace for mainframes – big machines used by major corporations.

The Sierra line is seen as a crucial element in this strategy and for IBM's plans to become a $100bn-a-year company by the end of the decade.

IBM said it will introduce the Sierra line – the IBM 3090 series – in two initial models, the 200 and the 400, each of which are dramatically more powerful and faster than existing mainframe computers. The Model 200 will be available in November priced at $5m to $6.09m. The Model 400, which will only be available as an upgrade to the Model 200, will be shipped in the second quarter of 1987 and will cost an additional $4.3m.

In addition new improvements will be offered for IBM's existing top-of the-range 308X mainframe computers, while the price of the range – introduced just four years ago – will be reduced by an average of 5 per cent and monthly service charges will be cut by at least 10.2 per cent.

The new computers are the fourth generation of IBM mainframes since the company introduced the 360 series 21 years ago and represent a significant increase in computing power.

The new computers are likely to widen the gap between IBM and its U.S. and Japanese competitors at the same time that the recent dropping of U.S. and European anti-trust cases against the computer giant has allowed IBM to become even more aggressive and reduce the time between announcing new products and beginning shipments.

The Sierra line could most directly affect companies such as Amdahl, National Semiconductor's National Advanced Systems subsidiary, Hitachi and Fujitsu which make or sell mainframe computers compatible with IBM equipment computers.

Data General profits warning, Page 19

CONTENTS

MEPs criticise mean farm price proposals

BY QUENTIN PEEL IN STRASBOURG

MEMBERS of the European Parliament yesterday threw their oft-repeated protestations of budgetary discipline to the winds, and rounded on the European Commission for being too mean to EEC farmers.

Agriculture spokesmen from most of the major political groups savaged the farm price proposals put forward by Mr Frans Andriessen, the Agriculture Commissioner, some calling them "wholly inadequate," others a "declaration of war" on the farm community.

Only the unlikely alliance of British MEPs, Tory and Labour, and the Rainbow group of assorted ecologists and Greens, closed ranks to defend the Commission's efforts to curb the soaring costs of the Common Agriculture Policy (CAP), and the growing farm surpluses.

Mr Andriessen, a former Dutch Finance Minister, and destined to be one of the heavyweights of the new Commission, stolidly presented his plans for what is an effective price freeze for most farm products as a "realistic" response to excess production and overflowing markets.

He accused his attackers of confusing wishful thinking with reality, and challenged them to produce magic solutions if they insisted on further price rises—reminding them of their own support only last year for the attempted reform of the CAP. His words failed however to restrain the more emotional excesses of the powerful farm lobby in the Parliament.

M Pierre-Benjamin Pranchere, the Communist rapporteur of the farm committee, condemned the price proposals as "a deliberate provocation of farmers" and called instead for an average increase of at least 5 per cent.

Mr Michel Debatisse, a French Christian Democrat, went even further in suggesting the 7.8 per cent price rise proposed by the official farm organisations and insisted that dairy farmers in the U.S. and Canada already received prices 30 per cent higher than their European counterparts.

The Socialists were more cautious but M Bernard Thareau from France warned that the U.S. was set to relaunch a farm price war and the Commission was doing nothing to resist it. Nor, he said, did the price proposals provide anything for the social upheaval in agriculture or to underline the illogic of the industry.

From West Germany, Herr Reinhold Bocklet, a Christian Democrat, said cutting prices would do nothing to reduce the surpluses, but could even have the opposite effect.

At that stage Mr James Provan, agriculture spokesman for the British Conservatives, waded in with his support for the embattled Mr Andriessen.

The plans, he said, were both brave and logical. His only caution was that the proposed 3.6 per cent price cut for cereals was inadequate. Mr Andriessen himself had said a 5 per cent cut was justified by the level of last year's bumper harvest and a reduction of a full 8 per cent was needed to bring the market into equilibrium.

It took Mr Francois Roelants de Vivier, Belgian ecologist member of the Rainbow group, to underline the illogic of the MEPs' position. "You say yes to budgetary discipline and now you are going to say yes to a big increase in farm prices," he said. "Where is the logic in that?"

Italy seeks French aid on terrorist extradition

By James Buxton in Rome

ITALY YESTERDAY asked France to co-operate in its fight against terrorism by clarifying and redefining conditions for the extradition of terrorist suspects.

The request was made by Sig Giulio Andreotti, the Italian Foreign Minister, to his French opposite number, M Roland Dumas, in a private encounter during the meeting of EEC foreign ministers here yesterday.

Sig Andreotti said after the meeting that he had asked M Roland to make a clearer definition of political offences in order to facilitate the extradition of terrorist suspects.

Italy has asked France to extradite more than 120 suspected terrorists but so far France has refused to do so on the grounds that they are wanted in Italy for what are defined as political offences.

The EEC ministers decided to intensify contacts between their officials dealing with terrorists in the wake of the recent attacks on Nato-related targets across Western Europe.

They also agreed in principle that there should be a meeting in Italy of ministers responsible for internal security to discuss both terrorists and the problems of drugs.

Although terrorism was high on yesterday's agenda no date was set for the meeting of ministers for which Italy has been pressing. It will depend on the availability of the relevant people, some of whom are ministers of the interior and others ministers of justice.

Sig Andreotti said after yesterday's meeting that he had pointed out that only four out of 22 European countries had ratified a 1977 Council of Europe convention on terrorism, and urged more to do so.

The foreign ministers' meeting which was also attended by Mr Malcolm Rifkind, Minister of State at the British Foreign Office, issued what it called a "demarche" on Lebanon. It called on the Israeli and Lebanese Governments to show flexibility as Israeli forces withdraw," to try to ensure that there are no more acts of violence involving civilians while the withdrawal takes place.

They also called on Syria to "facilitate the process of withdrawal." The Ten said they welcomed the Israeli decision to pull out of Lebanon and supported UN efforts to bring about an orderly withdrawal.

The ministers also welcomed the resumption of arms negotiations between the U.S. and the Soviet Union. They hoped they would lead to comparable progress in other fields of East-West arms control, including chemical weapons and the MBFR talks.

● West Germany is using its 20,000-strong paramilitary border security force to boost its response to a new wave of terrorist attacks, Herr Freidrich Zimmermann, the Interior Minister said yesterday, Reuter reports from Bonn.

He said that Bundesgrenzschutz (BGS) troops had recently reinforced police in Bavaria and Lower Saxony and were sharpening their watch on Bonn.

The BGS, which has special weapons, training and equipment, regularly patrols the streets, and skies, around Bonn, guarding ministries, embassies and visiting politicians. It is also at the disposal of state police forces which request its help, often to control mass demonstrations.

UK offers to help Turkey boost relations with EEC

BY DAVID BARCHARD IN ANKARA

SIR GEOFFREY HOWE, the UK Foreign Secretary, who is on an official visit to Ankara, yesterday promised British support for Turkish efforts to improve relations with the European Community and to obtain the release of Ecu 670m (£415m) worth of aid blocked after the 1980 military coup.

Cyprus figured prominently in the discussions with Sir Geoffrey, with the Turks agreeing on the need to support efforts by Sr Javier Perez de Cuellar, the UN Secretary General, to keep the dialogue going. The Turkish attitude seems to have been regarded as fairly positive by the British.

The main thrust of the visit appears to be an attempt to improve Turkey's relations with Europe. Ankara has been criticised in several EEC countries, notably Denmark and France, for alleged violations of human rights. Sir Geoffrey is understood to have been assured that Turkey is making the "most rapid progress possible" on its human rights record.

An important British aim in this visit is to increase exports, especially of weapons, to Turkey. Ankara spent $148m on the Rapier missile in 1983 and is considering buying 36 more. It is also contemplating an order for the multi-role Tornado combat aircraft which Britain makes jointly with West Germany and Italy.

Current account deficit widens in Denmark

BY HILARY BARNES IN COPENHAGEN

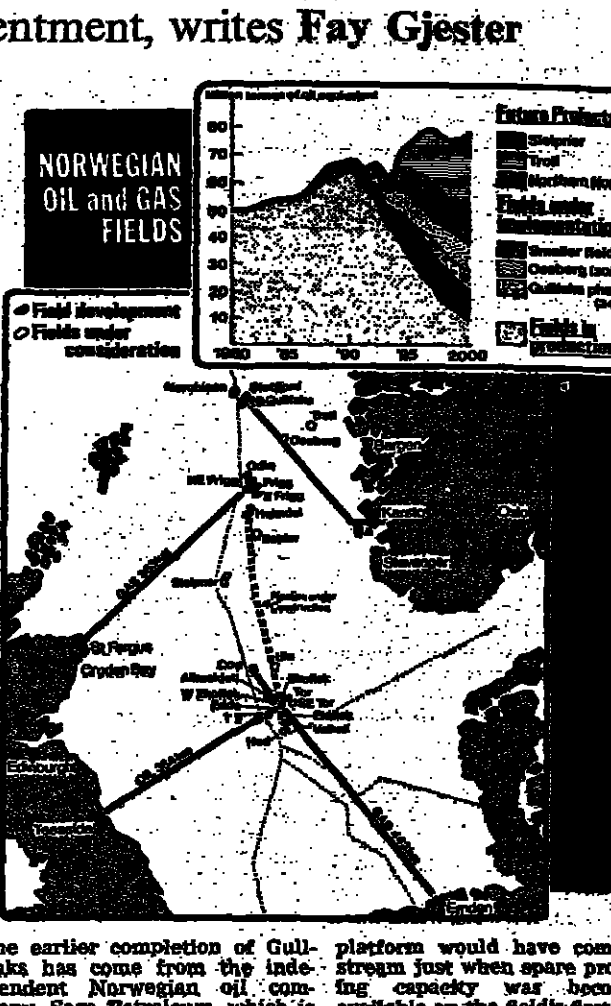
DENMARK'S deficit on the current account of the balance of payments widened to DKr 17.2bn (£1.3bn) last year from DKr 11bn (£859m) the previous year, the Government's bureau of statistics reported yesterday.

Mr Poul Schlueter, the Prime Minister, declared that the deficit was "not good enough." It is twice as high as the Government was forecasting at the beginning of last year. There could be no question of any relaxation in fiscal policy as long as the deficit was so large.

The Prime Minister said the Government was sticking to its previous target of achieving equilibrium on the current account by 1988. To put back the target by a year or two would undermine both domestic and foreign confidence in its economic policy, he added. A major factor in the increase was the rise in interest payments on Denmark's foreign debt from DKr 18.4bn to DKr 23.1bn.

British rejection of the gas deal has caused resentment, writes Fay Gjester

Norway ponders how to offset Sleipner setback



WHITEHALL'S decision to veto the purchase of gas worth £20bn from the Sleipner field has caused profound disappointment and a good deal of resentment in Norway. People feel they have been made fools of for the past two and a half years, since negotiations began in earnest between Statoil, Norway's state oil company, and the British Gas Corporation.

There is little inclination to accept the official UK explanation that very recent gas discoveries on Britain's shelf have completely changed the picture of the country's import needs in the 1990s.

Mr Kåre Willoch, the Prime Minister, said it was "very regrettable" that the British Government "despite concessions made by Norway," had been unwilling to approve the revised sales agreement concluded last year between Statoil and British Gas.

"It must be said that the British authorities have taken longer to make up their minds than could have been expected," he said. The move would have "unfortunate consequences" for Norway's economy, and spotlighted the dangers of allowing the country to become excessively dependent on oil and gas.

Mr Kåre Kristiansen, the Oil Minister, said there were grounds for disappointment both over the decision itself and the way that Britain had handled the negotiations. But he rejected claims that anything he might have said could have influenced the outcome.

Last year, Mr Kristiansen was criticised in Norway for expressing pessimism about the world market for natural gas just when the fate of the Sleipner contract was in the balance.

So far, the opposition seems disinclined to make political capital out of the situation. The Labour Party's chief spokesman on petroleum affairs, Mr Finn Kristensen, said his party had so far kept a low profile in order to avoid hampering the negotiations. It would reserve judgment, pending a full statement from the Government.

> Britain took longer to make up its mind than could have been expected, said Prime Minister Kare Willoch. The move would have unfortunate consequences for Norway's economy and spotlighted the danger of allowing the country to become too dependent on oil and gas.

This should come, he added, in the form of a supplement to the recent White Paper on petroleum policy. The loss of the Sleipner contract was "a dramatic development" which would have a serious impact both on state revenues from petroleum and on the fabricating industry.

Mr Kristensen questioned the viability of the so-called "oil alternative"—the idea that Norway can offset the loss of the Sleipner development by accelerating exploitation of its oil reserves. Where, to what extent and with what consequences could it do this, he asked, when other oil producing nations were trying to hold down production in order to maintani prices?

He is unlikely to receive an early answer—particularly in an election year. Yesterday the Oil Ministry received Statoil's plans for accelerating development on the third platform on the Gullfaks oil and gas field—a combined drilling, accommodation and production unit.

Originally due to be built in the early 1990s, for start-up in 1996, it now seems likely to be put in hand almost immediately, so that it can come on stream by 1990. This is what Statoil proposes, and the Government will probably agree. Parliament can be expected to give its approval before the summer.

Sleipner's development would have involved investment of around NKr 50bn spread over the coming decade, so the Gullfaks speed-up will provide only a small plaster for a large wound.

Other fields which may now be brought forward include the Snorre oil and gas discovery, satellite oil fields lying near the Oseberg oil and gas field (now under development by Norsk Hydro), and oil and condensate discoveries in the Halten Bank area, off central Norway.

The promising North Sea 34/8 block on offer in the current licensing round is also believed more likely to contain oil than gas and could be earmarked for early development.

So far, the only objection to the earlier completion of Gullfaks has come from the independent Norwegian oil company, Saga Petroleum, which is a partner in the field and will therefore have to produce its share of the development cash several years sooner than expected.

The company, which has cash flow problems because of its extensive development and exploration commitments, claims that a speed-up will impair the projects profitability because it will involve building extra processing capacity. Under the original timetable, the third platform would have come on stream just when spare processing capacity was becoming available on the field's first platform Gullfaks "A".

Saga's protests will almost certainly be ignored. So will any complaints from other oil producing countries. The oil sector is now so important to Norway's economy—accounting for about a fifth of GNP—that there is no alternative to the "oil alternative." Development of new oil fields will be shelved only if world crude prices fall so low as to make them uneconomical.

Le Pen to sue Liberation over torture allegations

BY DAVID HOUSEGO IN PARIS

M JEAN-MARIE LE PEN, the leader of France's extreme National Front movement yesterday announced that he would sue the newspaper Liberation after allegations it published that he had ordered the torturing of prisoners during the Algerian war.

The allegations were made by five Algerians interviewed by the paper. They claimed to have been tortured under orders from M Le Pen while he was a parachute officer in Algeria in early 1957.

M Le Pen denied the allegations. He blamed both the French Socialist Government and the Algerian Government for having a hand in them. He said the charges would come as no surprise to those who know "that I am the number one opponent of immigration and subversion in our country."

The allegations come at a moment when M Le Pen is launching his party's campaign for next month's local or cantonal elections. For the first time the National Front is competing in an election as a nationwide party—a bid for broader political status reflected in its decision to field 1,500 candidates. About 90 per cent of them will be standing for the first time.

It is doubtful whether the accusations will do M Le Pen much harm among his own diehard supporters for whom the war in Algeria was something of a religious crusade and who have no love for Algerians.

But it could further damage his relations with the opposition parties who are torn between treating him as a leper because of his view on immigration and accepting him as part of the campaign against M Mitterrand.

The Socialist party announced on Monday that it would soon launch a major attack on the National Front.

M Le Pen has on previous occasions been accused of torturing prisoners during the Algerian war but he has not been as openly attacked since becoming a major political figure.

In 1962 the French Government granted a general amnesty to French soldiers for actions committed during the war. As a result newspapers are not allowed to call evidence to substantiate charges against those who bring defamatory actions in courts of law.

The National Front's aim is to do sufficiently well in the cantonal elections to substantiate their ambition to enter the Parliamentary elections next year as a national party with a chance of holding the balance of power in a divided National Assembly after 1986.

They are counting on President Mitterrand to bring in proportional representation which would strengthen their position in the new Assembly while dividing the orthodox French right.

Nato tables wider proposals on manoeuvres

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE NATO countries yesterday presented far-reaching proposals to the 35-nation European Security Conference here for extending the notification of military manoeuvres in Europe. The proposals represent a significant extension of the modest notification measures agreed in the original 1975 Helsinki Final Act.

Mr Leif Mevik, leader of the Norwegian delegation, called the proposals "a cornerstone" of the Nato package of proposed confidence and security building measures.

He said they were aimed at "creating a more stable military position in Europe," where there was a formidable concentration of forces. "We want to increase predictability and reduce the dangers of a surprise attack."

Nato's proposals cover land-based out-of-garrison activities, mobilisations and amphibious operations. The alliance is suggesting that notification should take place 45 days ahead of any planned activity. It should cover activities involving one or more divisions, or 6,000 or more troops.

The notification of a mobilisation involving the call-up of reserves has been set at 25,000 men and amphibious activities at the low level of 3,000 combat troops. Manoeuvres to exercise an alert should be notified as soon as the alert begins.

The Helsinki Final Act set a much highe rlevel of 25,000 troops as the threshold for the notification of manoeuvres.

Notification need currently only occur 21 days before the start of an exercise and, for the Soviet Union, the Helsinki Final Act specifies manoeuvres occurring only within a band of 250 km inside its Western border. The Nato proposal would cover the whole of Europe "up to the Urals."

Other Nato proposals to be tabled in coming weeks are expected to cover the issues of sending observers, verification measures and communications.

The initial reaction of the Warsaw Pact states yesterday was ceptical. They claim that the Nato proposals fail to cover independent naval and air antivities not related to land-based manoeuvres.

THE U.S. Administration yesterday urged the Geneva disarmament conference to agree on a worldwide chemical weapons ban, Reuter reports.

Mr Kenneth Adelman, director of the U.S. Arms Control Disarmament Agency, read a message from President Ronald Reagan which said the conference "opens at a moment of opportunity in which the American people look for real achievement in arms control."

Mr Reagan was referring to the start of U.S.-Soviet talks in Geneva next month on controlling long- and medium-range nuclear missiles, and space weapons.

"I encourage the conference to work vigorously toward an effective global prohibition of chemical weapons as the Unted States has proposed," he said. This was a reference to a draft treaty to outlaw chemical weapons, as the United States Vice-President George Bush.

Mr Adelman himself said that the U.S. hoped a chemical weapons ban, which he described as the top priority, could be completed by the end of the year.

Unesco reviews U.S. withdrawal

By Paul Betts in Paris

THE QUESTION of whether to take legal action against the U.S. is expected to dominate the five-day emergency session of the United Nations Education Scientific and Cultural Organisation (Unesco) which opened in Paris yesterday.

The special meeting of Unesco's executive board has been convened to review the consequences of the U.S. withdrawal from the agency at the end of last year. The U.S. provides about 25 per cent of Unesco's budget and its decision to pull out will deprive the agency of $43m in contributions this year.

However, the agency is arguing that Washington is under an obligation to pay its 1985 contributions because the U.S. left in the middle of the agency's two-year (1984-85) budgetary period. For its part, the U.S. has made it clear it has no intention of paying the 1985 contribution.

Mr Amadou Mahtar M'Bow, Unesco's controversial director general, specifically referred yesterday, in a dry and technical presentation of his 38-page report to the executive board to the issue of the U.S. 1985 contribution. The report says that the issue raises a problem of international law.

A number of member countries, however, oppose taking the matter to the International Court in The Hague since they expect the judgement is likely to go in the favour of the U.S.

Another delicate issue which is expected to dominate the special meeting is whether to allow the U.S. to send an observer team to the agency. Washington has already announced the setting up of a group of six observers in Paris to monitor Unesco's activities and operations.

A further key issue to be raised at the meeting is how to cope with the organisation's financial deficit following the U.S. withdrawal. Mr Patrick Seddoh of Ghana, the chairman of the executive board, said the question of how to offset the loss of U.S. revenue constituted the "core of the matter." But he said it would be impossible to spell out at this meeting what Unesco programmes will have to be cut back. However, the meeting could provide specific guidelines on how to tackle the deficit.

Mr Seddoh also called for informal consultations between members on key issues throughout the five-day session.

Paul Betts reviews an ambitious government scheme led by Club Mediterranee's energetic chairman

France keys in schools computer programme

M GILBERT TRIGANO, the chairman of Club Mediterranee, the French holiday village group, acknowledges quite candidly that he is a computer freak. He has already set up 23 computer workshops in his holiday villages scattered around the beaches of the world for the enjoyment and enlightenment of his guests. He is now trying to do the same thing on a far grander scale for the French Government by installing computers in every school and college in France.

M Trigano was asked two months ago by M Laurent Fabius, the Socialist Prime Minister, to become his special adviser on the Government's ambitious school computer programme. While continuing to run his holiday conglomerate, he has plunged into this new task with missionary zeal.

The first phase of the project was launched at the end of last month and involves a FFr 2bn (£182m) programme to install 120,000 computers and computer workshops in schools by the start of the new school year next September. "This is a big chance for France," says M Trigano. "Our final aim is to have computer-aided education throughout the country."

M Fabius has placed considerable political weight behind this programme. It forms an integral part of his broad strategy to modernise French attitudes to education and employment and in turn to modernise industry and the economy as a whole. It is also a key component in the Government's efforts to come to grips with the dramatically rising problem of youth unemployment in France.

With the run-up to next year's legislative elections having already started, the project has inevitably come under attack from some of the Government's political opponents as a gimmick. Members of the French educational establishment claim they have not been properly consulted and that the project will in any event probably flounder once the French administration and bureaucracy gets hold of it.

M Trigano rejects these criticisms. He emphasises he has not set up a new bureaucracy within the Government to put into place the computer programme. "We are a very small independent team responsible only to the Prime Minister. We are not a centralised organisation but a commando group that must move fast and efficiently to stimulate the regions to adopt the programme," he says.

The project will also give the French micro-computer and software industries an important boost. Although M Trigano says that the Government has not excluded buying some equipment from foreign suppliers (including IBM), the bulk of the orders will go to French industry.

The nationalised Thomson electronics group is likely to do best out of the project. The group launched its first home computers last year, selling 100,000 on the domestic market in 1984 and another 10,000 in exports. The Education Ministry has just ordered 20,000 Thomson microcomputers for the school plan.

> The AMBITIOUS FFr 2bn (£152m) school computer programme will be largely funded by the French post and telecommunications authority (PTT), M Jean-Pierre Chevenement, the Education Minister, disclosed yesterday, Paul Betts writes. The PTT would finance FFr 1bn of the programme this year, and the balance will come from the Government's fund for industrial modernisation and additional allocations to the Education Ministry's 1985 budget.

The nationalised group could win up to 80,000 of the 120,000 orders for the project, which would make a solid contribution to its target of selling 400,000 home computers in 1985. The company has just set up a subsidiary in West Germany to sell its mircrocomputers and is negotiating distribution deals in the UK and Italy.

Apart from Thomson, the nationalised computer group Bull will probably get the bulk of the remaining 40,000 orders, mainly for semi-professional equipment for the computer workshops.

Despite the obstacles and difficulties the school programme is likely to encounter, M Trigano, who at 64 is a small but extremely lively man, is confident it will work. For its part, the Government also appears confident in M Trigano's ability to get it off the ground.

This is not the first time President Francois Mitterrand has turned to the Club Mediterranee chairman, who is one of France's biggest business success stories in recent years. M Trigano started as a Communist journalist on the official French Communist daily, L'Humanite. Largely self-educated and always enthusiastic, he helped found the Club Med in the 1950s and, while keeping his Left-wing views, built it up into a multinational conglomerate which is now quoted on the New York Stock Exchange.

President Mitterrand turned to him before to set up the "Mission Trigano" computer workshops in underprivileged neighbourhoods of large French cities to help with the youth problem in these areas.

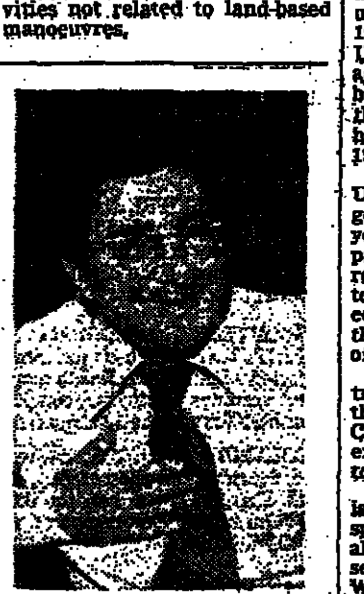
At the end of last year Bull launched its first IBM-compatible personal business computer called Micral 30. The school programme will give Bull, which has entered the highly competitive semi-professional personal computer market somewhat late in the day, a much needed boost for its new product.

Both Bull and Thomson have ferociously campaigned for the school computer orders. They were especially upset by an earlier proposal involving the construction of a plant in Brittany by the U.S. Apple concern to supply microcomputers for French schools. The Apple project has been shelved

Thomson's microcomputer business has also been helped by the company's association with the educational computer programmes broadcast on French national television. But the programmes, modelled on a BBC series, have so far failed to have a major popular impact. M Trigano wants to see them beefed up.

He was also asked to organise the 1989 World Exhibition in Paris to coincide with the 200th anniversary of the French Revolution. This project had to be abandoned, however, because of the opposition of Paris ratepayers and of M Jacques Chirac, the Mayor of Paris who is also the leader of the neo-Gaullist RPR main opposition party.

Now, M Trigano says, he is hoping to contribute practical and concrete ideas for a new revolution, in the French outlook on new technology.



M Gilbert Trigano: missionary zeal

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S. Lebanon militia withdraws from Sidon

By David Lennon in Tel Aviv

THE Israeli-backed South Lebanese militia, a mainly Christian force, which Israel once hoped could police all of Southern Lebanon as its surrogate, withdrew the last of its units from Sidon yesterday in anticipation of the Israel pullback from the town and surrounding area next Monday.

Israeli combat units will continue to maintain "routine operational activities" in the Sidon region, until the final evacuation of the area on February 18.

Israel had hoped that the militia, originally formed in the 1970s by the late Lebanese Major Sa'ad Haddad, could control all of Southern Lebanon. Now, the most Israel expects is that it can carry out a supportive role for the Israeli troops which will remain indefinitely in a narrow strip of Lebanese territory besides the Israeli border.

The militia has been badly mauled by the escalating anti-Israeli guerrilla offensive by the Lebanese resistance and dozens of Moslems who had joined the militia have deserted in recent weeks, fearing for their safety following the Israeli retreat.

The attacks on the Israeli forces and their surrogates have risen to 35 a week in February compared with less than 20 a week back in October.

Many Israeli experts believe the resistance will escalate further as the success of their attacks on the retreating Israeli soldiers encourages more Lebanese, especially the Shi'ite Moslems, to join them so as to establish their patriotic credentials in the eyes of their neighbours.

Israeli forces shot dead one person and wounded two others when they searched a Southern Lebanese village yesterday for suspected guerrillas.

The army spokesman in Tel Aviv said that the soldiers searched the village of Toura, 10 kilometres north-east of Tyre, at dawn yesterday. The residents tried to resist the attack, and the Israelis opened fire, causing the casualties.

Unconfirmed reports from Lebanon say the Israelis also blew up two houses in which weapons had been found.

Michael Holman reports from Lagos on the strained relations with Britain

Why the Dikko case rouses Nigerian passions

ONE OF the most bizarre episodes in Anglo-Nigerian relations reached the Old Bailey this week, and the outcome may well exacerbate already seriously strained relations between two countries closely tied by historical, trade and personal links.

It began last July when suspicious Customs officers at Stansted Airport opened a crate, marked diplomatic baggage, that was to be loaded onto a Nigeria Airways flight bound for Lagos.

Inside, heavily sedated, they found Nigeria's most wanted man: Alhaji Umarj Dikko, a Transport Minister in the administration of former President Shehu Shagari, overthrown by a military coup on New Year's Day, 1984.

In the furore that followed, two Nigerian diplomats were required to leave Britain. Two British diplomats in Lagos got the same treatment and both High Commissioners were recalled.

Yesterday, his abductors were sentenced to long UK jail terms.

Although it was not until last month that Nigeria made a formal extradition request, the man in the street here — not to mention many senior officials —believe Britain should nevertheless have returned Alhaji Dikko long before now.

This apparent disregard for legal proprieties reflects the intensity of Nigerian feelings on the subject. Rightly or wrongly, the case of Alhaji Dikko has come to symbolise the worst of the corrupt Shagari Administration. As chairman of the presidential task force on rice — a major food import — Alhaji Dikko has been accused of amassing a personal fortune, allocating lucrative rice contracts to supporters of the President's party, and influencing the allocation of government contracts.

To understand the passion, outsiders may have to envisage the fury which would have been aroused in Britain, for example, if, during World War II it had been discovered that a leading politician had made a fortune out of defence supplies, had salted away the profits in a Swiss bank account and had taken refuge in the U.S.

Had the kidnapping attempt succeeded, the perpetrators would have been treated as national heroes. As it is, Britain has been accused by General Muhammadu Buhari, Nigeria's military leader, of "sitting on the fence" and thus throwing into doubt the "genuineness" of a "traditional friend."

If the extradition request were successful, it would certainly help defuse the situation. But most observers believe that it could involve a protracted legal process (Alhaji Dikko has applied for political asylum) which could take a year or more to resolve. And it is far from certain that a British court would be prepared to return a Nigerian fugitive to the military tribunal, rather than a normal court of law, that awaits.

All this would be bad enough, but there are other issues which sour relations.

Britain's Export Credits Guarantee Department (ECGD) is perceived by Lagos as taking a leading role among the group of Western partners in insisting that Nigeria must reach an agreement with the International Monetary Fund for a \$2.4bn (£2.18bn) loan before arrears in insured trade payments can be rescheduled.

The IMF terms — which include a massive devaluation and a reduction in local petroleum subsidies—are being vigorously resisted by Nigeria. "We will have the riots that seem to signify the arrival of the IMF in most developing countries," Gen Buhari told the Financial Times last week.

The general argued that Britain, for whom Nigeria is the largest trading partner in black Africa, with exports worth £768m last year, should "show more understanding about Nigeria than the rest of our trading partners, and there is no evidence of that."

A further contentious issue is Britain's oil pricing policy. The North Sea product and Nigeria's Bonny Light are competitors in the market. Britain's action last year in cutting its official price was deeply resented in Lagos as an attempt to undercut Nigeria, which has had to operate within constraints of the Organisation of Petroleum Exporting Countries (Opec).

If diplomatic relations at ministerial level were more cordial the two sides might have a better appreciation of each other's point of view.

But Nigerians were severely affronted last May when Sir Geoffrey Howe, Foreign Secretary, cancelled a visit to Lagos because of commitments to the EEC, Hong Kong and handling the repercussions of the shooting outside the Libyan embassy

What was taken as a snub might have been forgiven but for the fact that the very same month Mr P. W. Botha, the South African President, met Mrs Margaret Thatcher at Chequers.

For Lagos the message seemed clear: Britain had more time for the Republic than black Africa's most powerful state, a leading opponent of apartheid and highly critical of Britain's failure to force the pace of negotiations over Namibia's (South West Africa's) independence.

All in all, it is a disquieting state of affairs. And while both parties have adopted a wait and see attitude to the trial and the extradition request, no one has forgotten that, in 1979, an earlier military Government nationalised BP Nigeria in retaliation for its alleged involvement with fuel supplies to South Africa and Rhodesia.

KIDNAPPERS JAILED FOR A TOTAL OF 46 YEARS

THREE ISRAELIS and a Nigerian were jailed for a total of 46 years, and recommended for deportation at the Old Bailey in London yesterday for their parts in a bad to kidnap former Nigerian Transport Minister Alhaji Umaru Dikko, Agencies deport.

Mr Justice McCowan told them: "It must be made absolutely clear that courts in this country will take an extremely grave view of any attempts to abduct by force, and take overseas against their will, any person lawfully living here."

Alexander Barak, 27, an Israeli businessman, was jailed for 14 years and former Nigerian army major Mohammed Usufu, 41, for 12 years. Dr Lev-Arie Shapiro, 43, a Russian-born Israeli doctor, and Felix Abitbol, 31, a Tunisian-born shopkeeper, but now an Israeli national, were each sentenced to 10 years.

The judge said Alhaji Dikke had been described as the biggest thief in the world, and was said to have stolen billions of dollars from Nigeria.

He could make no comment on the allegation as he had not heard Alhaji Dikko's side of the story, but he accepted all four men had sincerely believed he had taken the money.

"This is not a case of indiscriminate terrorism. Care was taken to see that the public at large was not put at risk," he said. Alhaji Dikko was not present in court during the two-day trial and had no legal representation at the Old Bailey.

If Alhaji Dikko has committed a crime in his own country there were lawful processes to apply for his extradition.

Alhaji Dikko

S. Korean election attracts high turnout

VOTER turnout yesterday was very high for South Korean National Assembly elections. Some 83.9 per cent of the eligible voters had cast ballots when the polls closed, Steven B. Butter reports from Seoul. The figure compared with a 78 per cent turnout in 1981 the last time National Assembly elections were held.

Voter interest has been sparked by the appeardance of a new opposition party, the New Korea Democratic Party, which hmas made a far more vocal attack on the Government than other opposition groups.

The ruling Democratic Justice Party, is expected to retain its majority of seats in the National Assembly which it won last time with just 35.6 per cent of the popular vote.

Indian spy denial

Gen Wojciech Jaruzelski, Poland's military leader, yesterday refused to admit during a visit to India that a Polish diplomat had been involved in a spy scandal now being uncovered, John Elliott reports from New Delhi. A Polish diplomat is believed to have been withdrawn from New Delhi in connection with the espionage ring and Mr Rajiv Gandhi, India's Prime Minister, raised the matter with Gen Jaruzelski on Monday.

Marcos on loans

President Ferdinand Marcos of the Philippines said a large portion of new loans negotiated by the Philippines would help pay for private sector imports of raw materials and equipment, Reuter reports from Manila. The presidential palace said he was commenting on reports that much of the money, raised as part of a \$10bn financial aid package, would be swallowed up in debt repayments.

Meeting about crime

Top provincial officials are meeting in Peking to discuss ways of cracking down on a wave of economic crime sweeping China's coastal areas, the mayor of Shanghai said yesterday, Reuter reports from Peking. Mayor Wang Daohan told reporters he was taking part in the talks with the governors of nine coastal provinces, where relaxed economic policies had opened new vistas for swindlers and corrupt officials.

Cabinet backs Hawke over Anzus

BY MICHAEL THOMPSON-NOEL IN SYDNEY

MR BOB HAWKE, the Australian Prime Minister said yesterday that his Labor Party Cabinet had re-affirmed government policy on the basic issues of the Australian-New Zealand-U.S. Alliance, the Anzus treaty, and on disarmament and deterrence."

But Mr Hawke conceded there was a need to broaden the Government's decision making processes so as to consult the full spectrum of Labor opinion. This important concession follows last week's party bitterness over Mr Hawke's decision, to withdraw Australian co-operation from U.S. missile tests in the South Pacific.

Mr Hawke returned from the U.S. on Monday night and chaired a lengthy but "amicable" Cabinet meeting yesterday.

The Cabinet will shortly consider Australia's Anzus position following New Zealand's decision to ban visits by U.S. nuclear ships.

Chris Sherwell adds from Bangkok: Singapore has expressed concern that disputes within Anzus could affect security in the wider Asia-Pacific region.

Mr Suppiah Dhanabalan, the island state's Foreign Minister, said yesterday that Singapore was watching closely developments involving the Anzus alliance. "We see regional security being maintained by a balance of power," he said. Regional states "have to do what is necessary to help the U.S. maintain that balance with the Soviet Union."

Mr Dhanabalan was speaking in Bangkok at the conclusion of a special two-day Asean foreign ministers' meeting. The six countries — Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei—are worried about the Soviet Union's increased naval and air presence in Vietnam.

● More than 30,000 Kampuchean civilians fled into Thailand and 5,000 Thais were evacuated from the border area yesterday when fresh fighting erupted between Vietnamese troops and Khmer Rouge guerrillas, Thai officials said, Reuter reports.

Australia trade deficit persists

AUSTRALIA's balance of trade showed its seventh successive monthly deficit in Janaury, so that the trade deficit for the first seven months of Australia's financial year, totalled A\$1.56bn (£1.08bn) against a trade surplus of A\$382m for the same period last year, Our Sydney Correspondent reports.

The trade deficit in January, was A\$282m, a rise of A\$96m on December while the net invisible deficit rose by A\$123m to A\$854m.

For the seven months to January 1985 the turnaround on the trade front combined with a rise of A\$1bn, in the net invisibles deficit,, resulted in a current account deficit, of A\$6.88bn up A\$2.95bn on that seen in the same period of 1983-84.

Iran claims to have killed or arrested 20 rebels

TWENTY left-wing counter-revolutionaries responsible for several killings have been killed or arrested and a large amount of weapons and forgery equipment seized, Iran's Intelligence Ministry said yesterday, Reuter reports from Tehran.

A statement carried by Tehran Radio said security forces had struck against opponents of Iran's Islamic regime in Tehran, Mazandaran and Isfahan provinces, but did not say over what period. Fifteen weapons, 30 bombs and grenades and 15 cars were seized, it said.

The ministry said the authorities had also arrested members of the Keshtgar faction of the People's Fedayeen, an opposition group active in Gonbad and Kurdestan shortly after the Islamic Revolution in 1979.

● Lloyd's confirmed yesterday that the Liberian registered tanker Fellowship L (118,215 tons) had been hit by missiles about 50 miles south of the oil terminal at Kharg Island. The vessel, loaded with 230,000 tons of crude, was bound for Dubai.

The full extent of the damage was not immediately known. Four tugs were heading for the stricken ship.

Earlier, Iraq had said its warplanes had attacked a "large naval target." The description usually applies to tankers.

The attack was the eighth confirmed hit in the Persian Gulf this year. More than 50 ships, mainly tankers, were hit by Iran and Iraq in 1984.

UK offers military training to El Salvador

By Hugh O'Shaughnessy

BRITAIN and Belgium have offered military training to the Salvadorean army in the wake of the decision of Honduras to bar Salvadorean personnel from attending U.S.-run training courses on Honduran territory. According to El Salvador. Israel may follow suit.

Britain has offered training for officers at the Staff College, Camberley, according to the Foreign and Commonwealth Office. Belgium is making similar facilities available.

President Jose Napoleon Duarte of El Salvador, interviewed by Reuters, said: "Right now I am hoping for military training in Europe. Israel is also a good place where we could get help."

Recently Honduras announced it would not allow Salvadoreans to continue training at the CREM, the regional training centre run by the U.S. forces at Puerto Castilla on the Caribbean coast of Honduras.

The Honduran decision was linked to the continuing impasse between the two countries over the demarcation of their common border. The dispute, unresolved for 150 years, is expected to be referred to the International Court of Justice in The Hague later this year.

David Gardner meets the controversial colonel leading the army's drive against insurgents

Salvadorean 'war lord' takes on the rebels

COLONEL Sigifredo Ochoa, commander of the El Salvador Army's 4th Infantry Brigade at El Paraiso in the North Salvadorian rebel stronghold of Chalatenango, is a confident man.

Two days before the historic October 15 meeting between President Jose Napoleon Duarte and El Salvador's left-wing insurgent leadership, he entered the traditionally guerrilla-held town of La Palma, the site of the peace talks.

According to the FMLN, the insurgent army, he also broke the ceasefire unilaterally declared by the guerrillas over Christmas and the New Year

And he appears recently to have made the most significant inroads on rebel-held areas of Chalatenango virtually since civil war got fully underway four years ago.

Colonel Ochoa is a flamboyant, controversial figure, in many respects a model of the aggressive, seven-days-a-week commander the U.S. has laboured to promote here. Inside the army, he is said to be the most admired field commander since Colonel Domingo Monterrosa, head of the Eastern Front's Third Brigade, was killed in October.

He has been in Chalatenango for five months, after 18 months' exile in Washington. The banishment was one result of his rebellion in January 1983, at the head of his troops in Cabañas against then-Defence Minister General Jose Guillermo Garcia—thought at the time to be the most powerful political figure in the country—and what he describes as the "corrupt, power-seeking clique" around him. The other result was the removal of that clique three months later.

According to an independent academic, who closely monitors the war, Col Ochoa is the "epitome of a war lord." He is also, the same source says, part responsible for the best year the army has had since the war began.

In Chalatenango, he is chipping away at the edges of the guerrilla rear guard areas, has regained control of the key Northern Trung Road running through La Palma to the Honduran frontier, and has, above all, carried the fight into the insurgent heartland of Eastern Chalatenango

In an interview at his El Paraiso barracks, overrun by the FMLN just over a year ago at the height of their most successful offensive, Col Ochoa said that by the March 31 legislative election, he expects to be able to guarantee voting in 28 of the department's 33 towns.

In last March's presidential elections, only three towns in Chalatenango voted, the guerrillas say. According to Ochoa, 13 towns voted.

His October 13 entry into La Palma on the ve of the peace talks was, he says, "exemplary." To "show the guerrillas the army will go where it wants to." And, he added, saluting, "to show we obey the president; we withdrew as soon as he ordered us to."

Colonel Ochoa is now "consolidating" his area, through a controversial civil defence strategy combined with what he describes as a regional development plan. Like many hard-line army officers, Colonel Ochoa has learnt the value of aid—beans, medicine, or the restoration of badly lacking services—as a counter-insurgency weapon.

He claims to "have found little resistance" to his Guatemalan-style and U.S.-backed town militias plan, but many local people seem unenthusiastic about being drawn into a war most have survived by staying on its fringes.

Though in some towns civil defence appears to be voluntary, in others townspeople say to oppose it is to risk being branded a rebel collaborator, which in the past has been tantamount to the death sentence.

Colonel Ochoa describes these claims as "tendentious," saying that conduct in his unit is strictly controlled. His troops now bring in captives, he stresses, a rare occurrence in the past.

He himself believes the people will back whoever is winning: "It's like football, the crowds go for the winner," he says.

Colonel Sigifredo Ochoa:

White House 'misled public on support for El Salvador'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

A BIPARTISAN U.S. Congressional report yesterday charged the Reagan Administration with misleading the American public—in a manner "reminiscent of Vietnam"—over increasing U.S. involvement in the war in El Salvador.

The report by the Arms Control and Foreign Policy Caucus accused the Administration of having supplied "insufficient, misleading and in some cases false information" on economic and military aid for El Salvador. It said that the aid, which will total at least $557m (£506m) this year, is worsening the country's problems and will prolong the war.

The report is likely to provide substantial new ammunition in the coming weeks and months to opponents of President Reagan's Central American policies as the Congressional debate continues over Administration requests for further aid to El Salvador, and more covert funds for the anti-government "contra" rebels in Nicaragua.

Accusing the Administration of providing Congress with "overly optimistic reports" on the war, the report says that "in a haunting reminder of Congressional-executive relations during the Vietnam War, the Administration has at times appeared to take on the role of cheerleader rather than analyst."

After a four-month investigation of U.S. policy on El Salvador over the past five years, the report makes the following specific charges:

- That the Pentagon routinely has twice as many U.S. military advisers in El Salvador than the 55-man limit, and that they are becoming increasingly involved in combat.
- That El Salvador, despite U.S. denials, has intensified its air war against civilian targets,
- That U.S. military aid represents 85 per cent of total U.S. funds channelled to El Salvador, instead of the 25 per cent claimed by the Administration.

This, the report says, has intensified the civil strife without solving the problems that brought it on in the first place.

The 68-page report was spon- Mark Hatfield of Oregon and representatives Jim Leach, an Iowan Republican, and George Miller, a California Democrat. Mr Hatfield is chairman of the Senate appropriations committee, which must approve foreign aid requestse.

Reagan stands firm on Star Wars plan

BY OUR U.S. EDITOR

PRESIDENT Ronald Reagan said yesterday that the U.S. should keep Star Wars defensive weapons in place even if the superpowers reached agreement to do away with all nuclear arms as a result of the deployment of Star Wars weapons.

He compared the planned defensive space weapons to gas masks that were still part of military equipment even though the use of poison gas had been banned by international agreement in 1925.

In an interview with the New York Times, Mr Reagan again insisted that he would not call off his Star Wars programme in exchange for Soviet agreement to implement cuts in offensive weapons in the forthcoming Geneva arms talks.

Mr Reagan repeated that he would be ready for talks with the Soviet Union and other countries to "internationalise" the introduction of defensive systems, if and when the current U.S. research programme demonstrated that such weapons were practical.

He made it clear, however, that such negotiations would not be intended to trade away Star Wars weapons, but to ensure that there were no misunderstandings as they were deployed.

The aim would be to make sure that the Soviet Union "understood that we weren't trying to create the ability of a first strike ourselves, that our goal was still the elimination of nuclear weapons, and that I would see defensive weapons as as another step in attaining that goal," he said.

Mr Reagan said that the Star Wars systems would still be needed in a world in which nuclear weapons were banned because there could be no guarantee that nobody would cheat and make nuclear weapons in secret.

Pinochet orders Cabinet to resign

By Mary Helen Spooner in Santiago

GENERAL Augusto Pinochet of Chile abruptly ordered the resignation of his Cabinet on Monday evening to enable him to implement his third Cabinet reshuffle in less than a year.

Speculation concerning the Cabinet changes had circulated since December when disagreement over economic policy between Sr Luis Escobar, Finance Minister, and Sr Modesto Collados, Economy Minister became an open secret in Santiago.

The timing of the Cabinet reshuffle is thought to be linked to the sudden resignation earlier this month of Srta Monica Madariaga, Chile's ambassador to the Organisation of American States.

Srta Madariaga, the regime's former Justice Minister and a relative of Gen Pinochet, cited personal reasons for her resignation. But her departure came shortly after she told a Chilean news magazine that she disagreed with Gen Pinochet's policies.

The Cabinet changes coincide with an International Monetary Fund delegation visit to Santiago to discuss Chile's 1985 economic programme

Union Carbide to restart U.S. MIC production

By Paul Taylor in New York

UNION CARBIDE, the embattled U.S. chemicals group at the centre of the controversy over the Bhopal lethal gas-leak tragedy in India, said yesterday that it plans to restart production of methyl isocyanate at its Institute, West Virgina, plant on April 1.

Union Carbide halted production of MIC at the Institute plant after the Bhopal disaster in December in which the chemical killed over 2,000 people and left tens of thousands injured. Since then public concern about the safety of the Institute plant has mounted following a series of revelations about MIC leaks from the unit.

Last month residents living near the W. Virginia plant filed a $3bn (£2.7bn) class action suit against Union Carbide.

The company yesterday repeated its assurances that the Institute MIC unit will be "in full compliance with all regulations." It said no start-up will be authorised until a full assessment of the Bhopal incident has been reviewed "relative to the operation of the institute plant."

Peru moves international reserves from U.S. banks

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE Peruvian Government has moved the bulk of the international reserves it was holding in U.S. banks, some $800m (£727m), to banks in Europe, notably Paris.

The move, according to Peruvian sources, is intended to mark the Government's impatience with the decision of some New York banks to reduce or cancel short term trade credits.

Trade credits to Peru have been cut in recent months as a riposte to the mounting arrears of service payments on the Peruvian foreign debt.

Outstanding trade credits are thought to amount to between $900m and $400m, less than half the total that the Government would like to have available. Peru is about $200m in arrears in its service payments to foreign bank creditors.

Solutions to the problems of Peru's balance of payments difficulties, its arrears and its relationship with the International Monetary Fund are not expected until a new government takes office after the April elections.

Peruvian officials have denied that the transfer of reserves out of New York banks has anything to do with fears that U.S. banks might seek legally to attach Peruvian assets because of the arrears.

Peter Montagnon writes: Peru's interest arrears are likely to dominate a meeting between Sr Victor Miro Quesada, the country's chief debt negotiator, and leading creditor banks in New York tomorrow.

Also on the agenda will be arrangements to extend temporary arrangements for rolling over principal repayments which are due to expire. The arrangements were last renewed in January but creditor banks insisted on a one month agreement only to keep up pressure on Peru to resume interest payments.

WORLD TRADE NEWS

CoCom seeks tighter control of technology sales to Soviet bloc

BY DAVID BUCHAN

NATO countries and Japan have agreed to review more frequently and systematically their controls on sales of sensitive civil technology with military potential to the Soviet bloc, and to try to cut the licensing red tape delaying hi-tech exports to China.

Senior officials of the 15-member-countries making up the Co-ordinating Committee (CoCom) decided last week in Paris that in the future the Western export-vetting body would update around one-third of its embargo lists every year, insead of, as over the previous 30 years, conducting a crash review of the whole lists every three years.

This "continuous review" was unanimously felt to make better use of the limited resources of both the small CoCom secretriat in Paris and technical specialists in national governments. With a review always in progress, it should also be easier for CoCom to agree at short notice, on controls in such fast-developing areas as computers and electronics.

However, CoCom has decided not to review its hard-fought 1984 compromise on controls on computer hardware, software and telecommunications until 1986.

These were the first controls agreed on in electronics since 1976. To start off the new continuous review procedure CoCom allies have chosen less-controversial categories in manufacturing equipment and components for review this year.

The 15 CoCom members also agreed on the need to cut licensing delays on sales to China, which is formally as much a target of the CoCom embargo as the Warsaw Pact, but has in recent years received increasingly favourable treatment from CoCom because of Peking's growing political and commercial receptiveness to the West.

But last week in Paris, CoCom members simply reached a consensus on the desirability of reducing the number of China export licence applications forwarded to Paris for full CoCom consideration, and of reducing the time involved in CoCom processing.

The U.S. has proposed that national governments should be able to license more CoCom-list exports to China, at their own discretion, than they can with regard to sales to the Soviet bloc.

Hawker wins £47m deal in Indonesia

By Ian Rodger

HAWKER Siddeley, the British engineering group, has won a £47.8m contract to supply 23 five-megawatt diesel powered electricity generating sets to Indonesia.

The sets are to be used by PLN, the country's electricity authority in seven power stations to supply power to a number of remote villages under the Government's trans-migration programme, which aims to encourage people to move out of Jakarta and back into rural areas. Formal signing is expected to take place shortly.

The contract was won against competition from West German, Dutch, Japanese, French and U.S. competition. British Government concessional aid amounted to 32.54 per cent of the value of the contract, and Hawker agreed that the buyer credit would be matched by countertrade.

The Indonesian Government's restrictions on mixed credits were not applied in this case because negotiations were well advanced before the rules came into force.

The main components in the generating sets will be supplied by two Hawker subsidiaries, the engines by Mirrlees Blackstone and the alternators by Brush Electric Machines.

Airship Industries in U.S. Navy deal

BY LYNTON McLAIN IN LONDON

AIRSHIP INDUSTRIES, owned by the Bond Corporation of Australia, has signed an agreement with the U.S. Westinghouse Electric Corporation to co-operate in joint plans for a "battle surveillance airship system" for the U.S. Navy.

The new airship system would travel with a navy fleet and give a range of intelligence information about movements above, on or below the sea.

The naval air systems command of the U.S. Navy has started work that might lead to a decision to buy airships for that new role.

The U.S. Navy is expected to issue its formal "request for proposals" before the end of March, and Airship Industries linked with Westinghouse, is to prepare a "joint response to the request for proposals."

Airship Industries has also joined Ferranti Computer Systems of Bracknell to submit a proposal to the UK Ministry of Defence for a Royal Navy project for an "offshore patrol vessel."

The OPV 3 project is intended to be a successor to the Island and Castle class patrol vessels. Airship Industries believes an airship can do the work of a patrol vessel from the air.

The companies believe an airship would be "significantly cheaper in capital and running costs than a surface vessel of comparable capability."

Moscow robots display

MOSCOW – Western companies put some of their best robots on display yesterday as part of a drive to sell more automated equipment to outmoded Soviet factories.

Many displays, however, did not incorporate the latest products, reflecting Western sensitivity to the export of goods with potential military value to the Soviet Union.

Leading robot makers from Western Europe and Japan are hoping to persuade Soviet industrial officials to part with scarce hard currency to help bring ageing plants up to date.

"There is plenty of interest, but not so much being bought," one British representative said at the Robotokompleksy Exhibition.

Although companies have set up a wide range of robots to perform intricate tasks, some representatives made clear their products were not the latest.

They said that to avoid breaking Western rules on strategic technology exports they brought equipment used widely already. Reuters

Company Notices

French hope China space pact will promote orders

BY DAVID MARSH IN PARIS

FRANCE hopes its space co-operation agreement with China will help smooth the way for satellite technology orders with French companies and launch contracts with the European space rocket Ariane.

The accord, signed this week by Li Xi'E, the visiting Chinese vice minister of aeronautics and M Hubert Curien, the French Technology Minister, is the latest in a series of space agreements Peking has concluded with other western countries, including West Germany, Italy and Britain.

M Frederic d'Allest, director general of the French space agency CNES, said the agreement focused on collaboration over satellite equipment, ground reception stations and the possible launch by Ariane of a Chinese earth observation satellite.

Separately, Peking is in the throes of selecting a western consortium to build two planned television satellites, scheduled to be launched in around three years' time.

M d'Allest, who will visit Peking in April or May to finalise specific areas of space co-operation, said he hoped the agreement would help France's chances of winning a stake in the satellite contracts. Matra of France, Messerschmitt Boelkow Blohm of West Germany (linked with Ford of the U.S. and Aerospatiale of France) together with RCA of the U.S. have replied to China's tender for the TV satellites.

Industry officials said China expects to narrow down the choice of companies to two in the spring, with a firm deal to be signed possibly in the autumn.

At the same time, Arianespace, the commercial company set up to sell satellite launches on Ariane, of which M d'Allest is the chairman, is hoping the Chinese will make a firm decision, possibly this summer, to launch the spacecraft with the European rocket.

Last year China reserved two options for launches with Ariane for 1987 and 1988. In view of the three-year process of satellite construction, the first telecommunications craft is not expected to be put into orbit until 1988.

Saudis award pipe contracts

ARAMCO, the Saudi government-owned crude oil producer, has awarded contracts for 560,000 tons of pipe to be used in the expansion of the Kingdom's main export pipeline, according to one of the companies named as a supplier, AP-DJ reports from Manama.

The pipe would more than double the 1.85m barrels a day capacity of the existing East-West pipeline, which connects Saudi Arabia's Eastern oil producing province with its major Red Sea oil terminal at Yanbu. The new line would be built of 56-inch pipe, while the existing line is built of 48-inch pipe.

The source, who asked to remain unidentified, estimated the cost of the 1,200 km of pipe at about $300m (£272m).

The award was divided between an Italian company, Saudi Arabia's National Pipe company and a Japanese consortium, with the bulk of the pipe being supplied by the Japanese, the source said.

● Merlin-Gerin, a French electrical engineering group, said it has won a turnkey contract worth FFr 150m (£15m) to supply electrical equipment for a water desalination plant and a power station in Abu Dhabi. The contract, awarded by the Abu Dhabi Water and Electricity Department, involves the Al Taweelah project between Abu Dhabi and Dubai.

ITT offshoot recovers deals

CHRISTIAN ROVSING (1984), the ITT-owned successor to Denmark's leading computer manufacturer, Christian Rovsing, which went bankrupt last summer, has renegotiated about 200 of the former company's contracts and has an order book worth over DKr 1bn (£83m) according to managing director Mr Richard W. Pryor, writes Hilary Barnes in Copenhagen.

A major success for the new company is the replacing of an order to supply a data communications network, including passenger processing and flight operations by American Airlines. The order is worth about DKr 500m (£41m).

ITT holds 44 per cent of the stock in CR-84, as the company calls itself, while Danish pension funds, a savings bank and an insurance company hold the rest of the stock.

Our Trade Staff adds: The network will link about 65,000 terminals of various types into a unified system covering flight information, reservations and other customer services, making it one of the largest private data networks in the world.

The terminals are located at the Airline's offices and agents throughout the U.S.

The Rovsing system additionally provides gateways to external systems shared in common with other airlines in the U.S. and internationally.

British Gas wins China design proposal contract

BY MAURICE SAMUELSON

THE BRITISH Gas Corporation has won its first contract in China and says it is hopeful that more will follow.

The Corporation will supply the conceptual design proposals for a 370 km pipeline taking associated gas from an oilfield in Henan Province to a fertiliser plant in Hebei Province, Eastern China.

Mr Peter Kemp, who signed the contract in Beijing on behalf of British Gas, said yesterday: "There are great opportunities in China not just for us but for other British companies, many of whom already work closely with British Gas in securing overseas business. We are hopeful of winning further work in China."

The design proposals for the pipeline and related compressor facilities were requested by the Chinese authorities last July and submitted by British Gas within four weeks. British Gas has asked to use British standards in the proposals and to make recommendations on the type of compressors to be used.

According to the Corporation, China is showing considerable interest in UK gas technology and it hopes it will be asked to advise on aspects of development of natural gas discovery in the South China Sea.

Brtish Gas has been working for several years with the Hong Kong and China Gas Company and this close relationship is likely to expand further.

MacGregor and TUC chief meet over pit strike

BY JOHN LLOYD AND RAYMOND HUGHES

MR IAN MACGREGOR, the National Coal Board (NCB) chairman, was last night meeting Mr Norman Willis, the TUC general secretary, for private talks on the future of negotiations in the 11-month miners' strike.

The meeting is seen by both sides as a crucial one, resulting either in an admission that no basis for negotiations between the NCB and the National Union of Mineworkers can be found – or in progress to yet another attempt to restart these negotiations.

While the two sides seem far apart in their public statements, there is some hope that a further meeting of the board and NUM can be arranged. Privately, the board will be satisfied with a recognition from the union that the issue of uneconomic pits should feature on the agenda – in spite of public statements that have indicated no negotiations can start without a prior agreement from the NUM that uneconomic pits must close.

The NUM, too, is under some pressure to get round the bargaining table once more – especially as its demand that talks restart, made jointly with the pit deputies' union Nacods last week, has been rejected by the board.

A meeting of Nacods' executive in Doncaster yesterday agreed to meet Mr Peter Walker, the Energy Secretary, today. Mr Peter McNestry, the Nacods general secretary, said after the eight-hour executive meeting, "we've heard different things at different times from the board and the Government; we have to be able to tell our members what the board's position is."

Mass picketing at a further 11 collieries has been banned by the High Court.

After his ruling on Monday that no more than six pickets could be deployed at five South Wales pits, Mr Justice Scott yesterday made an identical temporary order in respect of 11 pits in Yorkshire.

The order was made against the Yorkshire area of the National Union of Mineworkers (NUM) on an application by 19 working miners employed there.

The area was also ordered not to spend its funds on picketing, other than peaceful picketing by no more than six people, by Yorkshire miners or others, in Yorkshire or elsewhere.

The board said that 353 miners reported for work yesterday for the first time since the strike began.

Left-wing victory call gets fainter

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LONG GONE are the days of euphoria in the miners' dispute, the chanting of "We will win, we will win, we will win!" So far the left of the labour movement has refused publicly to accept that; but now, even overtly, the position is changing.

Partly, the left is, as ever, taking its cue from Mr Arthur Scargill president of the National Union of Mineworkers (NUM). Many took his statement in a BBC television interview last week that the miners had already won simply by what they had achieved so far as proof positive that even the NUM leadership now feels victory is beyond the miners' grasp.

Maybe – but it's surprising that the first real public evidence of that among leaders of the labour left should come at a rally this week aimed specifically at garnering support for the strikers.

The rally itself, organised by the south east region of the Trades Union Congress (TUC) and the London branches of the two main print unions, was starkly descriptive: lost in the vast bulk of the Methodist Central Hall Westminster were perhaps no more than about 300 demonstrators.

"After four years of Thatcher," said Mr Ron Todd, general secretary-elect of the Transport and General Workers' Union (TGWU), "this hall should be full to overflowing, with people fighting to get in – not like this."

Mr Todd was bitterly realistic about his audience, many of whom came in from selling far-left newspapers to each other outside. "We're the converted talking to the converted in here," he said. "Why don't you understand? We have got a bigger job on our hands than sitting in halls talking to ourselves."

Even the putative leader of Britain's biggest union got a rough ride from at least the most vocal sections of his audience, plainly frustrated – whatever their leaders claimed from the platform – at the poor response in the region to the day of action called in support of the miners.

No union has probably done more for the NUM than the National Union of Railwaymen, but there were times when Mr Jimmy Knapp, its general secretary, had to struggle to make himself heard above the sharp criticisms of him from the floor, angry that the NUR and the train drivers' union Aslef had deemed industrial action on the day inappropriate.

As the abusive catcalls continued, one of the conference organisers took the microphone to shout: "This is supposed to be a rally in support of the miners. What good do you think this is doing them?"

Time and again, leaders of the TGWU have pledged support to the NUM, only to see union members driving through the miners' picket lines with lorryloads of coal. With this in mind, a rougher reception lay in store for Mr Todd, who was greeted with shouts of "Lip service!" as he stood to speak.

Shouting above accusations of sell-outs, poor leadership, and ritual posturing, Mr Todd hit his left-wing critics with the starkest of home truths. Of course, the TGWU had not done all it would have wished to, but it had tried, and tried hard: "But don't pretend that we have got an army out there straining at the leash – because we haven't."

Rubbing salt into the hard left's wounds of disappointment, he went on: "Some of them put the Tories into power," and added crushingly, in one of the most remarkable admissions so far in the dispute: "You can't make a backbone out of wishbone."

As Mr Todd argued against the "luxury" of carping criticism while support for the miners among union members was clearly unforthcoming, Mr Tony Benn, Labour's leading left-winger, blithely continued to emphasise the breadth of support – peace campaigners, gays, lesbians, the young and unemployed, old people.

Mrs Ann Lilburn, chair of the national Women Against Pit Closures, was genuinely passionate, touching a left-wing response zone when she defended the firm stand taken by the NUM leadership by saying: "If only other unions had leaders like Scargill, McGahey and Heathfield! (the NUM deputy leaders)."

Mr Terry Thomas, of the South Wales NUM, threw off the suggestions coming from there of a return to work without agreement.

Land Rover prepares European sales push

BY JOHN GRIFFITHS

LAND ROVER, BL's four-wheel-drive vehicle subsidiary enjoyed its highest sales in the UK for a decade last year, and is now looking to continental Europe for its next sales push.

The Range Rover, the company's luxury off-road vehicle, sold more than 3,000 units for the first time last year and had its best month in January, with 473 units sold. Sales of the more utilitarian Land Rover were down 11 per cent last year but the combined Land and Range sales of 9,848 were the best since 1974.

Land Rover sales are also suffering from the sustained collapse in demand for trucks and utilities of all types in cash-starved Third World countries, which traditionally have been a chief source of Land Rover business.

In an attempt to offset this, Land Rover is seeking to increase its penetration in continental markets. Part of Land Rover's problem has been that it has had to compete with both Austin Rover and Jaguar for the attention and resources of their common distributors on the European continent. It has an independent distributor only in Belgium.

With Jaguar now privatised and operating independently, however, it believes there is now scope for an intensified marketing effort on the Continent. It was actually the four-wheel-drive market leader in Italy last year, but it feels its position could be improved substantially even in that country.

The company says that the 15-year-old Range Rover is in such demand that it cannot supply enough. However, with the planned completion of its production rationalisation programme by the end of this year, it is not expected to delay too long plans to launch the Range Rover in North America, where the four-wheel-drive leisure market is flourishing. Jaguar is already reaping substantial profits from the highly favourable relationship of the dollar to sterling.

Charles Batchelor on the organisation set up to combat modern-day pirates

Maritime fraud nets possible $13bn

A SCUTTLING crew may be hired in many ports around the world, according to Mr Eric Ellen, director of the International Maritime Bureau. "We have information about three ships on the high seas which are to be sunk," he said.

Mr Ellen's matter-of-fact forecast of the fate of three of the world's shipping fleet gives a dramatic illustration of figures released by the bureau this week on the extent of maritime fraud.

The organisation, established in 1981 to co-ordinate the fight against maritime crime, investigated 109 cases last year involving losses of $262m (£238m). This is estimated to be only 2 per cent of total losses last year from maritime fraud, which would give a worldwide figure of $13bn.

Pirates armed with a knife, a gun and a grappling iron still exist off the west coast of Africa and in the South China Sea. But the real threat to the shipping industry in the 1980s comes from the white-collar fraudster with a modern office and a battery of lawyers and accountants.

The international nature of the shipping business makes it an easy target for crime. A cargo or a vessel can disappear and it may be weeks before the loss is discovered.

The investigators have to find out where the crime occurred and, even if they find the culprit, it can be difficult to mount a successful prosecution. Policemen and prosecutors are reluctant to pursue foreign criminals whose victims may not be nationals of the country where the crime took place.

The shipping business depends on easily forgeable documents and an element of trust. A blank bill of lading which, when filled in, guarantees a cargo has been loaded and authorises payment, can be bought for 20p.

Mr Ellen, a former chief constable of the Port of London Police, puts some of the blame on the insurance and banking industries. The insurers write policies which are invalidated by fraud so the victim has no recourse. Mr Ellen claims the banks are too lax in their scrutiny of shipping documents and fail to report the fraudster when they discover him.

These views have not always won him friends in the shipping business but, he says, the bureau is earning increasing respect as the centre for information on world wide shipping fraud.

The bureau, run from London, is an offshoot – although an independent one – of the International Chamber of Commerce, a Paris-based organisation which monitors a voluntary international code covering the use of letters of credit. By 1980 the chamber decided the time had come for a programme to prevent maritime fraud and the abuse of letters of credit, which are a widely used method of payment in international trade.

The bureau was set up with the help of chamber funds, but it is now a self-financing and non-profitmaking organisation which depends on members' subscriptions for its £500,000 annual budget.

Insurance companies and shipowners account for a quarter of the bureau's 250-strong membership. The remainder are shipbrokers, exporters, banks, shipping agents, commodity dealers and maritime lawyers.

The bureau's staff of 12 – including master mariners, a shipbroker, former policemen specialising in commercial fraud and a maritime solicitor – have no police powers. They work through informal contacts with enforcement agencies and the shipping industry around the world. They sometimes bring civil court actions to back up an investigation, but are more often limited to warning intended victims of a fraudster's activities.

Piracy has been a problem since men first went to sea but it continually adapts to the changing patterns of international trade. Mr Ellen attributes many of the problems of recent years to the rapid build-up of trade with the oil exporting countries in the 1970s in the wake of the sharp increase in oil prices.

Ships waiting to unload at ports in West Africa and the Middle East were diverted by their owners to alternative ports; the cargoes were sold to meet expenses; the name of the vessel was painted out and the ship "vanished." Mr Ellen commented: "The pattern was set."

The bureau has been recently investigating four important areas of fraud:

● A resurgence of cargo thefts and insurance frauds in the Far East. The bureau believes a loose grouping of Chinese and Indian criminals in places such as Hong Kong, Singapore and Taiwan are stealing cargoes and scuttling or changing the identity of vessels to defraud cargo owners and insurers.

● The bureau discovered an operation run by corrupt shipowners and Greek lawyers to divert vessels to small Greek ports – sometimes over disputed payments of the crew's wages.

Eric Ellen: trying to defend an easy target

A local judge, with no experience of this type of fraud, would order the sale of the vessel and its cargo to meet the crew's claim. Before the owner of the cargo even knew the vessel had deviated from its route, the ship's owner had "bought" his own vessel and sold off the cargo. The vessel would then disappear.

The Greek legal authorities are taking steps to stop this racket.

● The theft of bunker oil. Ship's captains have been known to rig up a makeshift fuel line from an oil tanker's cargo hold to the engine room.

The normal expansion and contraction of oil cargoes makes this theft difficult to prove. But several explosions aboard tankers after leaking oil came into contact with hot engine parts, and some unbelievably "economical" fuel performances by suspect tankers, awakened investigators' interest.

● Unlike most cargoes, oil may change hands many times en route to the refinery. Proof of the oil's ownership is often difficult to establish and fraudsters have been known to claim a cargo and sell it before the real owner realised anything was amiss.

The bureau has launched a number of initiatives to help reduce maritime fraud.

It wants a bill of lading to be a secure document printed on banknote-style paper and with a unique serial number. A more advanced idea being considered elsewhere is for an electronic data bank of shipping documents.

The bureau is building up a data base of cargo owners' and shipowners' experience with charterers. Some charterers establish an office and a nameplate and disappear before paying for the use of the vessel or after the "loss" of the cargo.

Mr Ellen also wants an intelligence system to record data on thefts from containers. Unlike conventional cargo, containers are not checked until they reach their final destination, making it difficult to establish where any thefts took place. Establishing a pattern for this crime would alert shippers to avoid certain ports or shipowners.

A classification system would tell shippers which ports had lax security where their goods would be at risk. "Port security is a mish-mash," Mr Ellen said. "Some ports are the responsibility of the national police force; some have their own police forces. One well-known port just has a man and a dog."

Teachers to vote on call for pay strikes

MEMBERS of the National Union of Teachers will today begin balloting on plans for three-day selective strikes later this month in protest at a 4 per cent pay offer, David Brindle writes.

The decision to call the strikes in state schools throughout England and Wales was taken by the national executive of the 235,000-strong union after the failure of pay talks ending in the early hours of yesterday.

After the pattern set during a pay campaign last year, the NUT is expected to hold the strikes on Tuesdays, Wednesdays and Thursdays. They will commence in the week beginning February 25, after most schools' half term holidays and will generally involve different schools from one week to the next.

Editorial comment, Page 16

□ MR IAN POSGATE, the former leading underwriter of Alexander Howden, has been found guilty of "gross negligence" in disciplinary proceedings held by the Lloyd's insurance authorities.

Another former underwriter for Howden's interests at Lloyd's, Mr Mark Denby, is guilty of "gross negligence" a disciplinary committee has reported.

Both men have received reprimands and notice of censure for the role they played in arranging a controversial type of insurance arrangement which the Inland Revenue is now investigating throughout the Lloyd's insurance market.

□ BALEARIC Islands' civic leaders are holding emergency meetings with tour operators in London this week to discuss the implications of a huge fall in package tour bookings to Spain.

Nearly 1.5m Britons passed through Palma airport, Majorca, last year – almost equalling the numbers of German, French and Italian visitors combined. Sr Antonio Cardell, director general of tourism of the Balearics said he understood that bookings for 1985 were down by 30 per cent.

□ BBC external services outlined plans for £1.2m in economies to staff and union representatives. The external services, which broadcast in 37 languages to an average weekly audience of about 100m, will have a total budget of £56m for the 1985-86 financial year.

Staff were told yesterday that the number of broadcasting hours would not be cut but a number of posts will be lost. This will probably involve vacant posts rather than redundancies. Other economies will come from programme budgets and how much money producers can spend abroad.

□ BRITISH AIRWAYS has cut its summer air fares to Athens by almost a third, to £160 for a weekend return.

The development is likely to further exacerbate the problems of charter airlines on Mediterranean routes this summer. These airlines are already facing the prospect of cuts in package holiday numbers in the expectation of sharply reduced holiday bookings.

□ DAN AIR, one of Britain's biggest regional airlines, wants Stansted, Essex, developed as London's third airport instead of more regional investment. "This will help us to give better support to the regions away from the south-east of England," the airline said.

□ AIR EUROPE will start its first scheduled service, between London Gatwick and Palma, Majorca, on May 2. The independent airline won the licence for the route in competition with four other airlines, including British Airways. Flights will operate four times a week with fares from £106 return.

□ SHELL, British Petroleum, Mobil and other companies are following Texaco by raising petrol prices by up to 4p to about 191.9 pence a gallon by withdrawing all price support to dealers.

A similar rise will be introduced today by BP, and possibly by Total, Elf and Fina.

□ JOHN BROWN Engineering may have second thoughts about its decision to close the main Barrow-in-Furness office of VO Offshore, an engineering design company purchased a year ago from British Shipbuilders for £2m.

Minister in Belgrano row has few friends but one advantage

BY PETER RIDDELL, POLITICAL EDITOR

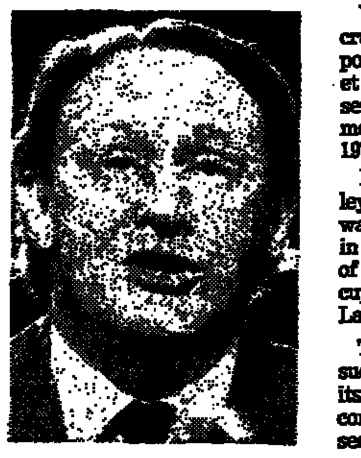
"IT COULDN'T have happened to a nicer chap," one Tory MP after another has sarcastically remarked in the last two days about Mr John Stanley, the Minister for the Armed Forces.

The criticisms of Mr Stanley's alleged role in the Belgrano "cover-up" revealed in the Ponting trial have evoked little sympathy from his Tory colleagues. Instead, there has been a widespread hope that the may at last get his comeuppance.

Mr Stanley, who is 43, faces little challenge for the title of the most disliked and unpopular minister. This is the verdict of fellow Tory MPs, let alone the parliamentary Opposition.

He is the type of man about whom unflattering stories are gleefully told. Most centre around his alleged arrogance, bossiness and rudeness to subordinates. There is, for instance, the anecdote about him being partially trapped in a lift at the Ministry of Defence. According to the story, he not only insisted that files should be passed to him in the lift but that, if the same thing happened again, then Mr Michael Heseltine, the Defence Secretary, should be immediately informed.

More recently, during a Nato trip to Iceland, Mr Stanley is said to have insisted that a sniffer dog should be sent from Britain to see if there was a bomb on the aircraft. There was not and the dog was sub-



John Stanley: supported by Mrs Thatcher

jected to six months' quarantine, under the UK's anti-rabies laws.

This might be dismissed as an unfair whispering campaign but for the frequency of stories, not just from politicians but from civil servants, both at the Ministry of Defence and at the Department of the Environment where he served as Minister for Housing from 1979 to 1983.

One colleague who has known him for 20 years says his problem is that he lacks any sense of humour. This, it is said, has reinforced his pomposity and a fussy attention to minor details which have infuriated officials.

Yet Mr Stanley has enjoyed one crucial advantage, the personal support and patronage of Mrs Margaret Thatcher, the Prime Minister. He served as one of her two parliamentary private secretaries from 1976 to 1979.

For all his unpopularity, Mr Stanley's place in the administration was secured as a result of his work in forcing through the programme of council house sales to their occupiers, often against the wishes of Labour local authorities.

This policy has been immensely successful and his part not only in its execution but its inspiration was considerable. Mrs Thatcher clearly sees him as "one of us."

Yet, as the opposition has alleged, the Ponting affair has raised questions about his future. Mr Ponting claimed in court that Mr Stanley had ordered him to draft two replies, one truthful and the other untruthful, to give ministers a choice of answers to MPs' inquiries. He alleged that Mr Stanley argued against any disclosure, saying that the full information should be regarded as classified.

Mr Stanley's problem is that he has few friends who will rally round him. There would be little mourning, and not a little pleasure, in both Whitehall and Westminster if he were forced out. But there is no sign that Mrs Thatcher is willing to make a scapegoat of one of her most faithful lieutenants.

New Lloyd's rules to prevent funds misuse

BY JOHN MOORE, CITY CORRESPONDENT

TOUGH NEW rules are being drawn up by the authorities of Lloyd's – the London insurance market – in an effort to stamp out abuses within the community and prevent the misappropriation of funds belonging to the 23,438 members.

The ruling council of Lloyd's has instructed its rules committee to prepare a legal framework which will prevent Lloyd's managing agents, who supervise the affairs of underwriting members, from owning any interest in outside insurance companies.

The move follows a series of scandals in which more than £100m ($108.5m) of funds belonging to underwriting members are alleged to have been diverted to a range of offshore insurance interests owned by the working underwriters in the Lloyd's market. Lloyd's has been investigating allegations against former executives of Alexander Howden and Minet Holdings, and a number of other underwriters in the market.

Towards the end of 1983, investigators at Lloyd's studying one case said that conflicts of interest can and do exist between Lloyd's underwriters and insurance concerns which they controlled outside the market.

The investigators said Lloyd's should impose a comprehensive ban on transactions carried out between syndicates at Lloyd's and companies in which syndicate underwriters had an interest.

Under the proposed rules which Lloyd's is drawing up:

● Ownership by a managing agent of any interest in a non-Lloyd's insurance company will be prohibited, unless the Lloyd's council agrees otherwise;

● Ownership of 5 per cent of a company's shares, which are dealt on the stock exchange, will be allowed; the period until July 1987. During this period all Lloyd's insurance brokers are required under existing legislation to sever their shareholding links with managing agents at

● The placing of business by a managing agent with a related non-Lloyd's insurance company will be prohibited, unless the council of Lloyd's agrees on different arrangements;

● Similar conditions will be applied to the placing of business by managing agents through related non-Lloyd's insurance brokers.

Lloyd's is not planning to issue any consultative document to the market, as the matter has been under consideration for some time.

● There will be transitional arrangements drawn up to deal with

In other moves yesterday, designed to reform the Lloyd's market, Mr Ian Hay Davison, chief executive of Lloyd's, announced that an 'Ombudsman' committee had been formed to deal with complaints from Lloyd's underwriting members

Immigration system said to discriminate

BY WALTER ELLIS

ONLY one in 4,100 visitors to Britain from the old Commonwealth is refused entry, compared with one in 140 blacks and Asians from the new Commonwealth, according to a report published yesterday by the Commission for Racial Equality (CRE).

The old Commonwealth countries include Canada, Australia and New Zealand. The report, covering immigration control procedures, concludes that officials place "excessive emphasis" on preventing evasion of the rules and that this does not serve the interests of race relations.

Mr Peter Newsam, CRE chairman, said: "The effect of the immigration system is to discriminate on racial grounds, whether this is intended or not."

Mrs Juliet Cheetham, one of three CRE commissioners who prepared the report, said immigration procedures "sometimes appeared to operate in a climate of racism."

Mr David Waddington, Minister of State at the Home Office, described the report as "fundamentally flawed." Many of its conclusions were unrealistic and the CRE had failed to face up to the fact that there was more pressure to emigrate from some countries than from others.

The Society of Civil and Public Servants (SCPS), said the report should not be taken as condemning the staff involved in immigration work, much of which was "emotionally and intellectually demanding."

The CRE itself said: "It would be entirely unjustified to place on staff the responsibility for fundamental criticisms which can be made of the administration and operation of the controls."

The report arises out of the controversy surrounding the conducting of "virginity tests" on Asian women entering the UK in 1979.

After inquiries which extended as far as British consular missions in India and Bangladesh, the commission found that intending immigrants or visitors who were black or Asian frequently faced difficulties that were rarely encountered by whites.

As well as the higher proportion of outright refusals, coloured people were delayed at ports of entry on average nine times longer than citizens of EEC countries. Bangladesh is were 30 times more likely to have restrictions placed on their visits than Americans.

One in five wives and two in five children of black men who were settled in the UK were refused entry, leading to the problem of divided families which the CRE found especially serious.

The report's authors do not support evasion of immigration controls, but they call for a change of approach so that every visitor is treated equally.

The CRE argues for a review of procedures and staff training. It wants it to be clearly established that officials "are free from bias and group stereotypes."

Immigration Control Procedures, Commission for Racial Equality, Elliot House, 10/12 Allington Street, London SW1E 5EH.

Health service fuel cuts call

BY ROBIN PAULEY

THE NATIONAL Health service could save a further £80m a year – 25 per cent of current NHS fuel costs – if the faltering 10-year energy conservation programme started in 1977 was speeded up again, Sir Gordon Downey, Comptroller and Auditor General, said in a report published yesterday.

The report shows the NHS occupies about 2,400 hospitals and 1,600 other buildings in Britain, many of which are known to be thermally inefficient.

Fuel, including electricity in these buildings, costs about £325m a year. Energy consumption is particularly heavy in hospitals which usually are heated 24 hours a day throughout the year.

In 1977 the labour Government of the day introduced a 10-year programme to conserve energy, reduce consumption and improve the heat retention and efficiency of public sector buildings including those of the NHS. The programme was expected to be largely financed in the latter part of the 10 years by savings made from investments in economy and insulation in earlier years.

Much has been achieved. Annual savings from energy conservation measures alone are now estimated at £68m a year in English and Welsh health authorities.

"However, the continuing operation of the 10-year conservation scheme introduced in 1977 appears to have faltered, particularly as regards the identification and reinvestment of savings sufficient to keep alive the scheme in its later years in the manner originally envisaged," Sir Gordon says.

"Furthermore, by opting not to control or monitor closely the implementation of the 1977 scheme, and by not positively encouraging health authorities to make full use of the Department of Energy Survey Scheme, it is for consideration whether the health departments' influence on the speed and extent of energy conservation work in the existing NHS estate has been weaker than it might have been," he adds.

Report by the Comptroller and Auditor General on the National Health Service: energy conservation; HMSO £3.10.

Private health care survey, Section IV

British robot population rises by 50%

BY GEOFFREY CHARLISH

BRITISH INDUSTRY last year installed 870 robots – a 50 per cent increase on the previous year – representing an investment of more than £50m.

Figures, released yesterday by the British Robot Association (BRA), show that Britain is still well down the league table, which is headed by Japan with an installed base of more than 64,600 machines, the U.S. with 13,000 and West Germany with 6,600. France was next at 3,380 followed by Italy and then the UK with 2,623.

Looked at in terms of the per capita use of robots, BRA changes the European order to Sweden, Belgium and West Germany.

For the first time, however, Britain is supplying much of its own requirement for machines, even though some of the companies making them (Unimation and Cincinnati Milacron for example) are based overseas. Of the machines installed in the UK in 1984, 225 were made in the UK, 221 in the rest of Europe, 163 in Japan and 70 in the U.S.

The UK built machines, however, were mostly at the low end of the market, so that by value, European, U.S. and Japanese makers were more successful at selling to UK industry.

BRA does not expect dramatic increases in the sales of robots in the UK in 1985, largely because the big spenders, the automotive industries, have satisfied most of their requirements for the time being.

On a world basis, Japan continues to dominate. Its 64,600 installed base compares with 20,500 in Western Europe and 13,000 in the U.S. No figures are available for the Eastern European countries or the Soviet Union.

Most of the UK applications are in spot or arc welding, and in injection moulding (for removing parts from moulding machines). But robotics in assembly work grew by 96 per cent in 1984 and is expected to become even more important as "flexible assembly systems," which can assemble different parts to order, become more widely used.

Mr Andrew Barr, managing director operations, Austin Rover Group, said robot use in the UK was bound to be limited by the low level of wages in relation to many other countries.

Although his company would be spending £10m on robots alone in 1985, Mr Barr's preoccupation is with a "total technology strategy" – in which many times that figure would go into computer-integrated manufacturing.

The view was endorsed by Mr Michael Skidmore, chairman of BRA and sales director at Cincinnati Milacron. He believed there had been "too much media hype" over robots and that they should be seen for what they are – "tools for use in industry."

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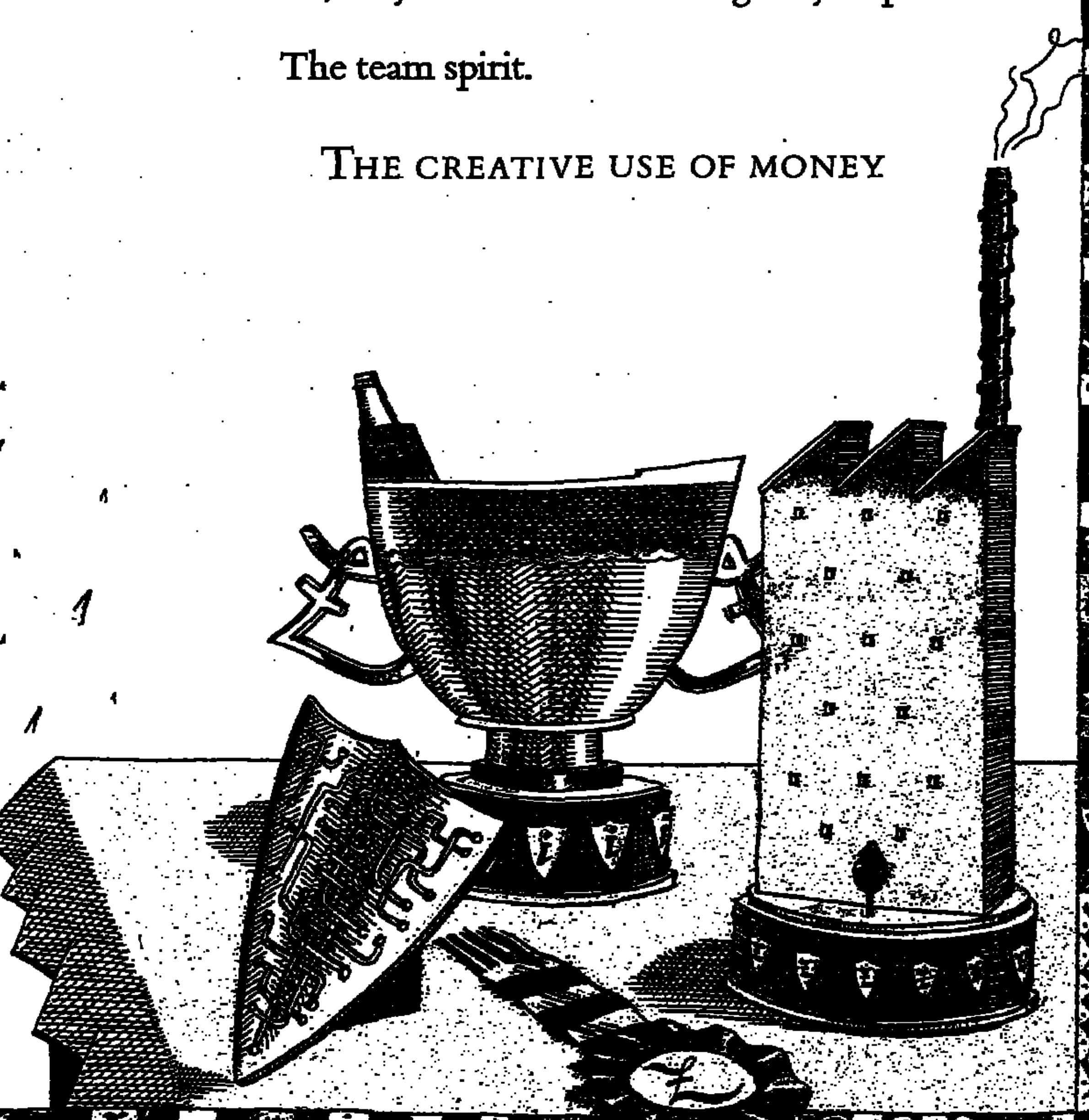

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TECHNOLOGY

EDITED BY ALAN CANE

NOVEL MATERIALS DEVELOPMENT PROMOTE INDUSTRY UNIVERSITY LINKS

A new era in molecular electronics

BY DAVID FISHLOCK, SCIENCE EDITOR

TWO MAJOR UK electronics groups are building new bonds with academia through the appointment of Britain's first professors of molecular electronics this year. From this new discipline is expected to come the microminiature electronic circuits, sensors and systems of the next century.

In each case the company's overriding objective is more efficient technology transfer from university to industry.

In April, Dr Harry Block becomes the GEC Avionics professor of molecular electronics at the Cranfield Institute of Technology. In September, Professor Gareth Roberts becomes visiting professor of molecular electronics at Oxford University. Both will be building university research teams from scratch.

Professor Block will concentrate on building a unit at Cranfield, to which GEC Avionics, the aerospace electronics group, has made a five-year initial commitment, involving about £0.5m. But he is also expected to co-operate closely with a newly commissioned laboratory at Great Baddow specialising in molecular electronics, and already designing and growing flaw-free crystals of novel organic compounds with promising opto-electronic properties, such as more favourable absorption spectra.

For Professor Roberts the arrangement is different. He will become chief scientist to Thorn-EMI, based at the newly opened £8m research centre at Hayes, west of London. But he expects to spend 20 per cent of his time at Oxford University's department of engineering science.

The plan is to set up a new laboratory of molecular electronics specialising in the work on semiconducting plastic films (Langmuir-Blodgett films) he is now doing at Durham University. Thorn-EMI wil help fund this laboratory.

The aim in each case is to establish intimacy between an emerging scientific discipline which straddles physics and chemistry (and perhaps biology), and the long-range goals of electronic systems designers. For Dr Ken Gray, Thorn-EMI's research director, molecular electronics is "an exciting new way of making whole new classes of materials." These materials will be synthesised with precisely the properties the electronic engineer is seeking, free from defects, the bugbear of present materials.

Dr Gray admits that he has not yet worked out precisely how he plans to use his new chief scientist, except that he will be an "independent aide" with more of an intellectual than a managerial role. Thorn-EMI central research is currently being substantially expanded.

The Marconi Research Centre at Great Baddow near Chelmsford, is part of GEC Research Laboratories, "a £50m business," as Dr John Williams, its director, sees it. The centre has been expanding rapidly, by about 300 graduates in the last three years.

One of its components is a laboratory sponsored by GEC Avionics, costing about £1m a year and dedicated to the problems of this subsidiary, notably in advanced sensors using lasers, infra-red and radar for aircraft. The limitations on development at present come down to the materials we are using, says Professor John Shepherd, technical director of GEC Avionics. For example, there is a major problem in the transparency of existing materials for all major frequencies, he says: "every blade of grass detects infra-red better than we can."

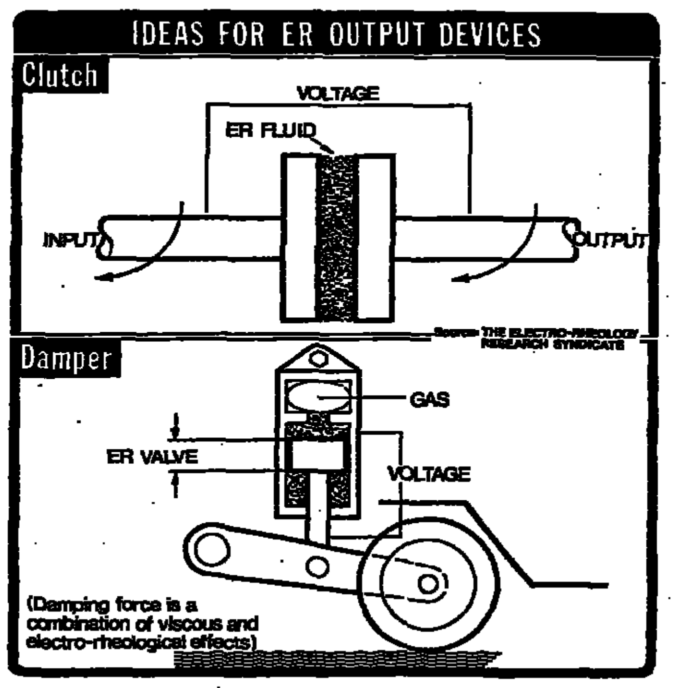
At Cranfield, the new research unit he will be funding will be close to a leading centre of research into biosensors, headed by Prof John Higgins.

Harry Block is a chemist with a particular interest in the electronic properties of polymers, and the possibility of designing molecules that show much bigger electrical effects than those available today. In theory, it is possible to think of electronic systems composed entirely of organic compounds. He will be approaching molecular electronics "more from the chemist's standpoint than the physicist's." (Prof Roberts at Thorn-EMI is a physicist.)

The last thing he wants to do is dictate the course Prof Block will be following, Prof Shepherd says. But what he sees GEC Avionics most urgently needing in future is novel sensors and new electronic materials much cheaper than some—such as compound semiconductors and germanium infrared lenses — they are obliged to use today.

"My own feeling is that he will probably go down the new sensor route," Prof Shepherd forecasts.

IDEAS FOR ER OUTPUT DEVICES



MOLECULAR ELECTRONICS WHAT IT IS

TWO applications of molecular electronics have already become commercially established: the liquid crystal display, based on novel organic compounds which respond rapidly and reversibly to electrical fields; and polyvinyl difluoride (PVDF) film, a clear plastic film with piezo-electric properties powerful enough to find application in seabed sonar arrays.

A meeting at the Institute of Electrical Engineers in London today will discuss one promising new application of molecular electronics. This is the phenomenon of electro-rheology, in which an electric field can produce dramatic — but reversible — changes in the viscosity of a liquid, by changing it instantaneously from liquid to virtually solid, and back again.

ER fluids, as they are called, can be made from simple substances such as flour suspended in oil. But the effects can be amplified considerably by designing large molecules for the purpose, although at present it needs a very high voltage to achieve a strong effect.

The sketches show some new concepts proposed for using ER fluids in control systems. A British consortium has been formed which brings several university groups — including Harry Block's work at Liverpool — together with several interested companies, including GEC, ICI and British Aerospace. The Electro-Rheological Research Syndicate Ltd pools the results of research at Laser Engineering (Development) and the university members. Research targets include stronger ER fluids, wider temperature ranges, and minimising the power requirements of ER control.

Another industry - university collaboration with a keen interest in molecular electronics is the Joint Opto-Electronic Research Scheme (JOERS) programme of pre-competitive research collaboration by companies backed by the Department of Industry, which has been running for the past year. One of its projects aims to establish the ground rules for designing novel organic materials for use in opto-electronics.

BRITISH TESTS ON SHUTTLE

Space factories

BRITISH engineers are planning an orbiting experiment aboard a U.S. space shuttle that would aid the pharmaceutical and biotechnology industry by producing new information about protein structures.

The project is under study at PA Technology, a company of technical consultants near Cambridge. Dr Geoff Roberts, a materials engineer at the company, says he would like to put the experiment into space next year as part of long-term research to shed light on the structure of substances such as haemoglobin and synthetic insulin.

Scientists working in protein chemistry need to know the arrangement of the molecules in such materials. This is so that they can, through bioengineering techniques, add extra molecules or re-arrange protein chains to make new kinds of substances for use in industry.

Researchers obtain this information by crystallization they beam at the material X-rays or other radiation. Analysis of reflections from the molecules and atoms in the substance indicates their positions.

The technique requires fairly large crystals to work properly. A difficulty for researchers is that, for certain types of proteins, it is impossible to precipitate from solution crystals that are more than a few micrometres (millionth of a metre) in diameter.

Gravity is to blame. As crystallisation proceeds, crystals of these particular proteins collapse under their own weight before they have a chance to reach a reasonable size. Further, convection currents in the solution that are due to gravity slow down the rate of crystal formation. As a result, the researchers find barred the route they would normally use to obtain structural information.

An orbiting laboratory offers researchers a way to produce bigger crystals that can be examined by conventional crystallography in Earth workshops. In a spacecraft in free flight around the Earth, the forces of gravity are stripped away. According to reseachers at PA Technology, this provides a way of increasing the size of protein crystals by a factor of eight. The crystallisation proceeds up to 300 times faster.

The company is talking to the U.S. National Aeronautics and Space Administration about taking into orbit the experiment on a routine shuttle flight. The work would cost PA Technology £5.000 to £30,000.

Dr Roberts, who produced a report last year for the Department of Trade and Industry on the commercial uses of materials processing in space, says that initial applications of space laboratories will be aimed at research that will be applied in ground-based factories and work shops.

He thinks it unlikely, in the foreseeable future, that organisations will set up orbiting plants to make large volumes of materials for sale on Earth.

A case in point is the production of semiconductor materials in space workshops, of the kind that should be part of the U.S. manned space station planned for the early 1990s.

Some scientists have speculated that orbiting plants could turn out large quantities of extremely pure and defect-free semiconductors such as gallium arsenide. The materials would have important uses in high-speed semiconductor chips, for example in military applications or telecommunications.

Dr Roberts thinks it more likely that astronauts-cum-technicians will use space workshops to obtain sample quantities of crystals such as gallium arsenide. With the results of the research, they would then engineer better ways of producing the materials in conventional plants on the ground.

ENGINEERS REFERENCE

Data handbook

DATA HANDBOOKS covering specific areas of technology usually contain a great deal of information—but not necessarily the information the user really needs.

This is far from true for a new book compiled by Mr Jeff Maynard, who last summer left BICC to join British Airways as general manager, telecommunications.

Maynard in his preface says he wished someone had written such a book ten years ago so that less time could have been spent searching for "those odd items of reference information which are always necessary for project completion."

Computer and Telecommunications Handbook by Jeff Maynard. Granada/Collins Publishers, 9.5 ins x 6 ins, 237 pp. £12. More on 01-493 7070.

Optical

Eye tests in Japan

LASERSPEC, the "do-it-yourself" eye testing unit aimed at encouraging people to check their eyesight by looking at patterns on a screen in opticians' windows, is to be manufactured for the Japanese market by Ushikata of Tokyo, under licence from the developers, Scientifica-Cook of London.

The unit will be on display at the Japanese Expo 85 exhibition in Tsukuba, giving the expected 20m to 30m visitors to the show the chance to check their eyesight.

The instrument is easy to use. Looking at a small screen, the user sees a speckled pattern which, if his eyes are normal, will remain stationary. The pattern moves up or down if the viewer is hypermetropic or myopic.

Managing director of LaserSpec, Dr Paul Cook, has had limited success with UK opticians but believes "it may not be too long before many of the 48,000 Japanese opticians have an instrument in their windows."

Energy

Heat pump on ice

A FINNISH inventor has developed a new category of heat pump which can operate at low temperatures. The energy department at the Finnish Ministry of Trade and Industry has given financial support to the construction of a pilot plant to be built by inventor Pentti Juhula, an engineer with the company Rintekno.

Called the ice pump, the equipment uses the latent heat of freezing to serve as the heat source. A large amount of heat is released when water freezes. The ice pump is more efficient than a conventional heat pump, says the inventor and can operate at far lower temperatures.

Its main applications would be to provide warmth for district heating systems in colder climates. The cost of a 6Mw ice heat pump is about FM9m and the potential market for this equipment in Finland alone is 350 MW.

Conference

Flexible manufacture

THE PROSPECT of making a multi-million pound expenditure on say, a flexible manufacturing system, only to find it fails to do what was expected of it, is the current nightmare of production directors.

This is where computer simulation can lend a hand and there will be a three day conference on the subject from March 5 to March 7 at the Moat House International Hotel, Stratford-upon-Avon. The organisers are IFS (Conferences) of Bedford (0234 853695).

Some 35 papers will be presented, from such companies as GE (U.S.), IBM, ICI, Saab-Scania, Istel, British Aerospace and General Motors. Others will be given by experts from Ingersoll Engineers, Cranfield Institute of Technology and the Franhofer Institute, as well as several universities.

Conference fee is £397 including VAT and the conference banquet; more details from Kay Gibbs at the organisers.

Components

Contact spring

WITH THE shift to ever-denser electronics packaging, flexible circuit boards and conductive ink circuitry are assuming a new importance.

Burndy of Switzerland has announced a specially developed contact spring for a low cost connector which can be plugged directly to these advanced but fragile circuits.

The "Flexiok" is based on Burndy's own gas tight, high pressure system of plastic deformation to break down surface oxides.

The connector operates from −55°C to +100°C with operating voltages of 230 VAC, 330 VDC, current rating 3A. More on Switzerland 022 49 48 48.

A French group wades into the cross-channel price war. **Paul Betts** reports

Brittany Ferries plans to widen its services

BRITTANY FERRIES, the cross-Channel ferry operation started 12 years ago by a group of enterprising farmers from Brittany, is planning an expansion of its services to challenge what it regards as a developing British monopoly in cross-Channel transport.

After accumulating losses of about FFr 40m ($4.02m) since it was launched in 1973, Brittany Ferries managed to break even last year, according to M Alexis Gourvennec, its chairman and one of the founders. He said the company intended to extend its services, now essentially concentrated in Brittany, into the central part of the Channel.

The company has already linked-up with the local authorities of Caen and the region of Calvados in Normandy to form a mixed private-public venture to operate a ferry service between Caen and Portsmouth, starting in the spring of next year. Brittany Ferries will own 10 per cent of the capital of the company and will manage the service, which will compete with existing routes between Britain and the ports of Cherbourg and Le Havre.

Brittany Ferries has also just taken a 27 per cent stake in the capital of Channel Island Ferries to operate from the end of next month daily services between Portsmouth and Jersey and Guernsey.

Major shake-up in ferry business

The expansion by Brittany Ferries comes at a time when the cross-Channel ferry business is undergoing a major shake-up. In the past few months, British Ferries, a private group, has taken over British Rail's interests in the cross-Channel Sealink pool. At the same time, Townsend Thoresen has absorbed P & O Ferries.

For M Christian Michielini, the general manager of Brittany Ferries, this has created the basis if a British monopoly in cross-Channel transport between Calais and Cherbourg. He also argues that the presence of a majority private shareholder in Sealink is bound to alter the overall approach of that group. "The interests of railways are clearly different to those of a private business," he says.

Short-term prospects not encouraging

As a result, Brittany Ferries defends its decision to expand as a move in the general interest of maintaining competition in Channel services. Rival French Channel ports have clearly opposed the proposed new Caen-Portsmouth service, especially since cross-Channel business was slow last year and short-term prospects are not very encouraging.

Caen has argued that it needs the new ferry service to replace the steel business the port has lost because of the restructuring of the French steel industry. At the same time, Brittany Ferries believes that longer-term prospects are good for cross-Channel transport; traffic is expected to double by the end of the century. Yet the company, like other cross-Channel operators, was hit by the poor business environment, causing cash flow to fall to FFr 24.6m last year from FFr 35.1m the year before. Total sales, however, rose to FFr 510m from FFr 470.7m.

M Gourvennec claims that Brittany Ferries has now put its main financial difficulties behind it. Having started off as a way to transport vegetables from Brittany directly to the British market and as part of the Breton farmers' efforts to break their region's geographical isolation, Brittany Ferries developed faster than expected.

"At first they thought we were a bunch of loonies to try to operate a service between Roscoff in Brittany and Plymouth," says M Gourvennec, one of the most outspoken and militant leaders of the Breton farmers and their interests. "But that service was successful although we did suffer from problems of too rapid growth. The market developed more quickly than we anticipated and we suffered a crisis in 1981."

To resolve its crisis, a group involving the region of Brittany and the ferry company was formed with a capital of FFr 70m. Brittany Ferries took a 22 per cent stake in this company called Sabemen. "In effect the company bought our fleet and subsequently leased it back to us," explains M Gourvennec.

The French Government also advanced a FFr 20m loan to Sabemen at the time. Despite the losses, Brittany Ferries has profited the region and the farmers by opening up Brittany to the British market.

For Brittany Ferries a major problem at the time of its crisis four years ago, was the sterling-French franc exchange rate. With 75 per cent of receipts in sterling but 90 per cent of costs in French francs, the company was clearly handicapped when the pound was worth FFr 9. The subsequent strengthening of the pound against the French currency has eased the company's financial constraints.

Although M Gourvennec appears relatively confident about the future and his ferry line's expansion, he warns that a lot will depend on the ability of the company to hold down labour costs. He says that French shipping companies are at a considerable disadvantage compared with British groups.

"Our social costs are 27 per cent heavier than those of our British colleagues," he claimed. "If we had operated under a British flag last year our cash flow would have totalled FFr 46m and not FFr 24.6m."

M Gourvennec warns that it will be necessary to freeze for an indefinite period the social benefits which French sailors have won in recent years. "It is only if we can hold down our labour costs that we will be in a position to invest in even more modern ships which will give us greater competitiveness," he argues.

Labour problems are now threatening the Dieppe-Newhaven Sealink service operated by the French railways, SNCF, after British Ferries pulled out of the route. But the pro-Communist CGT union has refused so far to accept changes in labour conditions designed to reduce SNCF's labour costs on this heavily loss-making route which had a deficit of FFr 71m last year.

The French railways warned this week that there was a serious risk of the Dieppe-Newhaven service being halted threatening 500 jobs unless agreement with the unions was reached.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
Henry Ansbacher	14 %
Amro Bank	14 %
Armco Trust Ltd.	14½%
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank Hapoalim	14 %
BCCI	14 %
Bank of Ireland	14 %
Bank of Cyprus	14 %
Bank of India	14 %
Bank of Scotland	14 %
Banque Belge Ltd.	14 %
Barclays Bank	14 %
Beneficial Trust Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
CL Bank Nederland	14 %
Canada Perm'nt Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons**	
Citibank NA	14 %
Citibank Savings	12¾%
Clydesdale Bank	14 %
C. E. Coates & Co. Ltd.	14¼%
Comm. Bk. N. East	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
The Cyprus Popular Bk.	14 %
Dunbar & Co. Ltd.	14 %
Duncan Lawrie	14 %
E. T. Trust	14½%
Exeter Trust Ltd.	14½%
First Nat. Fin. Corp.	15 %
First Nat. Secs. Ltd.	14½%
■ Robert Fleming & Co.	14 %
Robert Fraser & Ptns.	14½%
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
Heritable & Gen. Trust	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Hong Kong & Shanghai	14 %
Johnson Matthey Bkrs.	14 %
Knowsley & Co. Ltd.	14½%
Lloyds Bank	14 %
Edward Manson & Co.	15 %
Meghraj & Sons Ltd.	14 %
Midland Bank	14 %
■ Morgan Grenfell	14 %
Mount Credit Corp. Ltd.	14 %
National Bk. of Kuwait	14 %
National Girobank	14 %
National Westminster	14 %
Northern Bank Ltd.	14 %
Norwich Gen. Trust	14 %
People's Tst. & Sv. Ltd.	15 %
Provincial Trust Ltd.	15 %
R. Raphael & Sons	14 %
P. S. Refson	14 %
Roxburghe Guarantee	14½%
Royal Bank of Scotland	14 %
Royal Trust Co. Canada	14 %
■ J. Henry Schroder Wagg	14 %
Standard Chartered	‖14 %
Trade Dev. Bank	14 %
TCB	14 %
Trustee Savings Bank	14 %
United Bank of Kuwait	14 %
United Mizrahi Bank	14 %
Westpac Banking Corp	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Wintrust Secs. Ltd.	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

AMERICAN NEWS

Paul Taylor reviews a year which led to a further significant reshaping of America's banks

Upbeat final quarter for U.S. banking industry

A GENERALLY sparkling fourth-quarter performance helped rescue the major U.S. banking groups from an otherwise lacklustre year in 1984, a year that was punctuated with sharp shocks like the near failure of Continental Illinois.

The banks were helped in the final quarter by sharply falling money market rates, which reduced their cost of funds, together with higher profits from bond and foreign exchange trading and, in some cases, brisk consumer lending business.

Nevertheless, individual results continue to show wide differences in performance. They also highlight the continuing high level of bank problem loans — particularly in the domestic agricultural, energy, and property sectors and international loans to Latin American nations — together with the efforts of the banks to respond to regulatory pressure by bolstering their loan loss reserves and improve their primary capital ratios.

These pressures are also evident in the varying degree to which banks were able to expand their asset bases last year. Eight of the 20 largest U.S. groups increased assets by 10 per cent or more, while four banks, led by Continental Illinois — with a 27.6 per cent decline in year-end assets — ended the year with lower assets.

These changes, coupled with major bank mergers, are reshaping the "league table" of major U.S. banks. While Citicorp has expanded its lead in terms of assets over BankAmerica, with banks like Security Pacific, First Bank System of Minneapolis, Bank of Boston, and the recently renamed MCorp of Texas (ranked number 22) are moving up the table fast. In contrast Continental Illinois, which used to be the sixth largest bank in the U.S., dropped out of the top 10 last year and is now ranked number 12.

All but two of the 20 largest groups managed to post fourth-quarter earnings gains—including some like Continental Illinois, InterFirst, and BankAmerica, where double-digit year-on-year earnings advances may indicate a turnround.

With some exceptions, most noticeably Crocker National where a $216.1m final-quarter loss ranks as one of the largest quarterly losses by a U.S. bank ever, the fourth-quarter represented a welcome respite from the bad news that plagued bank earnings and stock for much of the rest of the year.

HOW THE TOP 12 FARED IN 1984

	Assets end-year $bn	Change %	Net income $m	Change %	Loan loss prov. $m	Loss reserves as % of total loans	Non-perf. loans $m	Primary capital ratio %
Citicorp	151	12	890	3	619	0.89	2,400	5.89
BankAmerica	118	(3)	346	(12)	861	1.18	3,507	5.84
Chase Manhattan	87	6	406	(6)	365	1.23	2,100	6.42
Man. Hanover	76	18	353	5	395	1.1	1,710	5.77
J. P. Morgan	64	11	538	17	150	1.7	878	7.08
Chemical Bank	52	2	340	12	165	1.22	1,196	6.32
Security Pacific	46	14	291	10	†388	1.57	1,123	5.91
First Interstate	45	3	276	12	229	1.34	*1,102	6.18
Banker's Trust	45	13	307	17	230	1.55	708	6.28
First Chicago	40	10	86	(53)	465	1.14	758	6.13
Mellon Bank	31	16	159	(14)	117	1.61	553	6.71
Cont. Illinois	30	(28)	(1,100)	—	801	1.5	1,018	6.9

† Including $150m special third quarter provision. * Non-performing assets.

Led by solid performances like J. P. Morgan, with a 32.8 per cent jump in fourth-quarter earnings and continued top ranking in terms of return on assets, the 2* groups posted combined fourth-quarter earnings of $1.25bn, up 11.6 per cent over a year earlier — a rise that came despite Crocker's large loss.

For the full year 13 out of the 20 posted growth in net earnings with six managing increases of over 10 per cent. Aside from the obvious "losers" like Continental and Crocker, First Chicago and the Minneapolis-based Norwest both suffered as a result of substantially higher loan loss provisions.

On an earnings-per-share basis 1984 results were somewhat less impressive with 11 of the 20 banks showing declines —including the four largest groups.

Even so, excluding Continental's $1.1bn full-year loss and Crocker's $324.4m deficit, the combined 1984 earnings of the banks increased by 6 per cent to $4.9bn.

Among the brightest performers were Bank of Boston, Bankers Trust, J. P. Morgan, Chemical Bank and Security Pacific which all posted full-year net earnings increases of over 10 per cent. In terms of profitability ratios Bankers Trust led the table with a 16.2 per cent return on equity followed by J. P. Morgan (15.86 per cent) and Security Pacific (15.6 per cent). J. P. Morgan led the full-year return on assets table posting a 0.87 per cent return followed by Bank of Boston (0.79), and Bankers Trust and Security Pacific both with 0.71 per cent.

Comparisons between the banks based on earnings alone do, however, remain difficult because of differing attitudes towards provisions and a flood of special gains (such as headquarters sales) which many banks use to bolster reserves rather than add to net income.

The majority of the banks increased loan loss provisions in both the quarter and the full year. In total the 20 banks increased their 1984 provisions by almost 18 per cent to $5.26bn from $4.47bn a year earlier.

In part this reflected higher fourth-quarter and full-year loan charge-offs as bankers moved increasingly aggressively to write-off troubled loans.

Only five of the 20 banks reported lowered charge-offs in 1984 than the previous year and half a dozen, including Manufacturers Hanover, Security Pacific, and Bankers Trust, substantially increased the level of write-offs.

However, despite the higher write-offs, the level of non-performing loans at many of the banks remain high and represent a serious drag on earnings. Only two of the big banks, First Interstate and First Chicago, reported a decline in year-end non-performing loans from a year earlier.

At 14 of the 20 banks non-performing loans represent more than three per cent of total loans. Among the groups with high levels of non-performing loans are Crocker National with over $1.13bn, equivalent to more than 7 per cent of total loans, InterFirst, Continental Illinois, and BankAmerica with $3.5bn in non-performing loans — equivalent to 4.1 per cent of total loans — continues to rank as the highest in dollar terms in the industry.

But there are some signs that the level of non-performing loans may be nearing a peak — helped by charge-offs. Of the five largest banks only BankAmerica reported an increase in non-performing loans over the third quarter. At Chase Manhattan non-performing loans were unchanged over the September 1984 level while Citicorp, Manufacturers Hanover, and J. P. Morgan all reported modest declines.

The second major reason for the large increase in loan loss provisions at the banks was the substantial additions made to reserves against possible loan losses last year. These reserves, represent a "cushion" against future possible loan losses.

Only three of the groups ended 1984 with lower reserves than 12 months earlier. Among the largest increases was at Security Pacific where reserves were lifted by almost 53 per cent to $519.8m from $340m. Other big increases were made by First Bank Systems and Manufacturers Hanover which both lifted reserves by 46 per cent.

This concerted effort to bolster reserves comes as pressure from the regulators and Congress in the wake of the Continental Illinois bail-out has intensified. Reflecting this the average level of reserves as a percentage of total loans is now 1.39 per cent among the 20 largest banks, up from under 1.3 per cent at the end of the third quarter.

While two banking groups, Manufacturers Hanover and Citicorp, still have reserve ratios of less than 1 per cent, nine, including Crocker, J. P. Morgan, Bank of Boston, Norwest and Mellon, have reserves equivalent to 1.5 per cent or more of total loans.

The scramble to increase reserves not only reflects a more cautious attitude towards the possibility of future loan losses but, since reserves count as primary capital, as a way to meet regulators' demands for stronger primary capital ratios. The impact of the higher reserve levels — together with additional equity capital — is apparent in the sharp increase in primary capital ratios among virtually all the major U.S. banks.

All the major banks now have primary capital ratios above the minimum 5.5 per cent level set by regulators and most are close to or have exceeded the 6 per cent level regulators are pressing for.

One spin-off effect of the improved fourth-quarter earnings is that the recent surge in major bank share prices may make it more palatable for the banks to further bolster their equity and capital ratios by returning to the equity markets.

Bank stocks have rebounded sharply from their extremely depressed levels last summer in the wake of the Continental Illinois drama spurred by stronger earnings and greatly improved investor perceptions about earnings prospects and the Latin American debt crisis.

For example, Citicorp's stock, which fell to a low of $27⅛ last year is now trading around $44 a share and Chase Manhattan, which hit a low of $35⅛ a share last year is back up around $55. This sharp rebound in share prices has prompted a number of Wall Street industry analysts to begin recommending some bank stocks once again. They stress, however, that investers should be particularly selective.

Design engineers

Coming in from the cold

Christopher Lorenz on moves to make UK engineering education more practical

WHEN Margaret Thatcher catapulted design into the limelight by becoming the first Prime Minister to invite a bevy to top designers to her office for tea and talks, there was a blaze of publicity for glamorous guests such as Zandra Rhodes, the fashion designer, Terence Conran, the designer-retailer, and Kenneth Grange, the industrial designer. Almost no one outside the meeting paid any attention to the presence of a group of leading design engineers.

It has been the same ever since that seminal meeting three years ago this month. Mrs Thatcher's Government has gone on to promote the use of design in industry through a series of conferences on the theme of "Design for Profit," and the spending of £20m on free design consultancy. Whitehall has been remarkably even-handed in ensuring that design engineers get their fair share of funding and conference air-time. Yet this has gone virtually unnoticed in the public domain.

Since Mrs Thatcher's initiative there has been a definite improvement in the status of "industrial designers" — those designers with a training at art and design colleges. But most engineering designers continue to languish in the shadows, members of a half-forgotten breed. This applies as much to those with degrees from universities and polytechnics as to "technicians" with various forms of certificate and diploma.

It is all a far cry from the halcyon days of British engineering in the early 1800s, when top designers such as Robert Stephenson and Isambard Kingdom Brunel were celebrated in society.

Suitably enough in a year which celebrates the 150th anniversary of Brunel's crowning achievement, the building of the Great Western Railway, 1985 may start to change all that through a belated recognition of the key part that design engineers can play in the wealth creation process.

After a decade of largely fruitless lobbying by the design fraternity, a key move was made just before Christmas to put the education system — one of the prime villians of the peace —under intense pressure to give design engineering a much higher priority. A further measure will be announced tomorrow.

The low esteem in which design engineers have traditionally been held within education and industry can be traced back to several factors, most obviously the inferior social status accorded to engineering as such, and particularly to design. Upon these unpromising foundations has been built an educational system which has signally failed to change with the times.

The traditional educational route for budding design engineers, as for production engineers and many other traditionally "lowly" engineering functions in industry, was via a college part-time or sandwich course, taken while the student was already in employment. A number of "technicians" of various descriptions is still produced via this route. But since the explosion of university and polytechnic engineering courses in the 1960s, employers have increasingly demanded recruits with degrees.

Theory

The trouble is that most graduate engineering courses have remained highly academic and unpractical, and have failed to replace the previous supply of design-minded engineers. Instead, industry has had to recruit engineering graduates, their heads stuffed with theory, and try to turn them into good designers. Engineering, whether it be electrical, electronic, mechanical or whatever, continues to be taught largely as an academic, analytical discipline which examines individual principles or theories, each of them with a single right answer. Design, by contrast, is a process of *synthesis* between different elements, with no "right" answer. And it needs to be taught largely in a project-based manner, rather than with mathematics on a blackboard.

A veritable chorus of top engineers in industry echoes this complaint about academic bias. One of the most authoritative spokespeople, in view of his standing in the profession and his company's successful mastery of manufacturing management is Dr Charles McCaskie, technical director of Baker Perkins, the process equipment manufacturer. "Design should definitely be a more integral part of engineering education," he says. "You can know all there is to know about thermodynamics, but you still will not know how to make things work." Engineering courses actually teach students *not to bother about design*, he complains. "They are trained in a way that is alien to the design process."

Backing the case for reform of the engineering degree curriculum, and for the teaching of engineering "in a design context" instead, has been a stream of semi-official inquiries, starting a full 22 years ago with the Feildon Report and progressing via two Design Council studies in the late 1970s, and the Corfield Report in 1979, to an investigation in 1983 (the Lickley Report) which was carried out on behalf of the Engineering Board of the Science and Research Engineering Council (SERC).

The earlier reports have sparked a certain amount of reform, including the addition of design to certain four-year degree courses. But Geoffrey Constable, head of the Design Council's Industrial Division, estimates that only about 30 of Britain's 450 graduate engineering courses, producing 1,200 of its 15,500 graduates, have a "significant" design content. At postgraduate level the position is slightly better, with about 85 design-orientated courses, hough some of them have very few students.

It is only in the past year or so that these clarion calls from design enthusiasts have begun to gain sufficient support for there to be a real chance of substantial reform. The change is partly due to the Thatcher Government's persistent drive, across a broad range of subjects, for education at all levels to develop a more practical slant, and for funding to be allocated accordingly.

Concrete evidence that reform is about to arrive, despite the continuing conservatism of some engineering professors, came to light in the midst of the pre-Christmas party season — which is why it made so little public impact. It came in the form of a policy statement by the Engineering Council about the adoption of new criteria for the accreditation of engineering courses, and for the registration of graduate engineers.

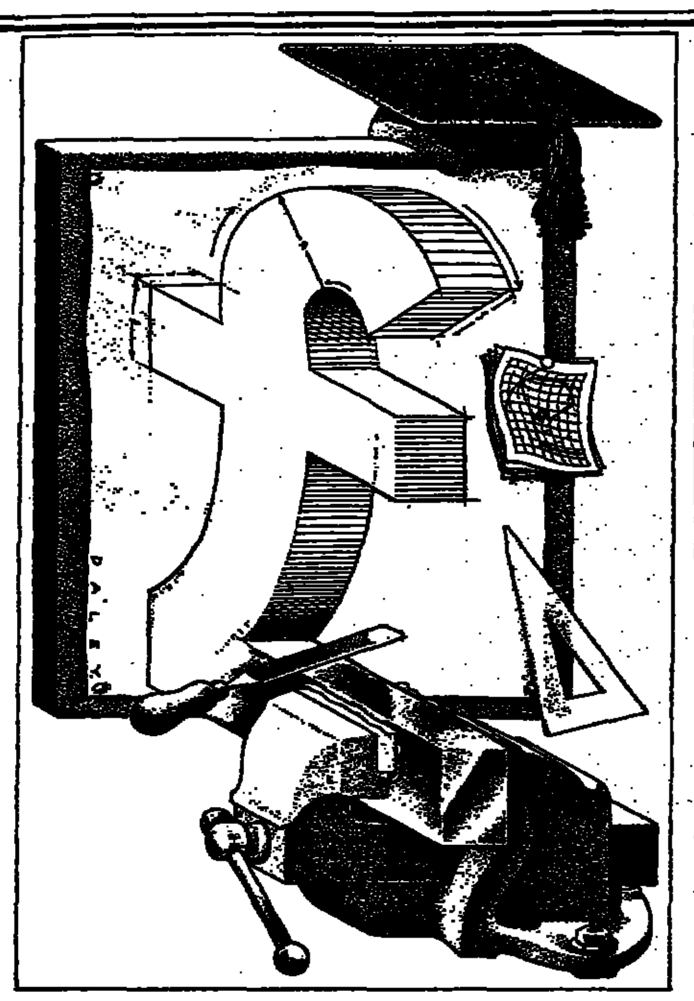
Prominent among the batch of criteria was the watchword that all courses should be "relevant" to industrial, commercial and *national needs*. Only once did the word "mandatory" appear in the dense, 45-page statement: in the council's demand for the "mandatory inclusion of design studies" in all courses. Since the council is about to start a fresh round of accreditation, of existing courses as well as new ones, all courses are likely to have to change within five or six years.

A series of other initiatives will reinforce the Council's stance. A SERC report due out soon on "The needs of engineering" is expected to extend the demand for "relevance" to academic research, and to approve the funding of much more work on design. The SERC is also joining forces with the Design Council to appoint a "co-ordinator" to encourage applications for SERC funding for design projects. This move, to be announced tomorrow, is seen as an important preliminary to the more dramatic step of stimulating the appointment of several professors of engineering design, which would require extra government spending.

Synthesis

These initiatives are aimed at accomplishing a dramatic change in the way engineers are educated. From this, it is hoped, will develop a tendency for engineers in industry (including engineers turned managers) to use design to better effect.

The need to get a proportion of much brighter people into design engineering is emphasised particularly strongly by the thrusting John Coplin, former chief designer of Rolls-Royce's RB-211 jet engine and now the company's director of design. Rolls recruits the cream of Britain's engineering graduates, and turns some of them into designers through on-the-job training; in company with Baker Perkins, it is one of the few British engineering companies which, despite the recent recession, has been far-sighted enough to continue spending heavily on the training and sponsorship of both apprentices and graduates.



"With changes in education, design engineering is belatedly becoming recognised as a key part of the wealth-creation process"

All the same, Coplin says: "We still miss out on the very bright people who have gone into science. By and large, the most able people are attracted away from synthesis into discovery and analysis." Design engineering not only needs more above-average university graduates, he argues, but "a real spearhead of intellectual elitism." Hense his advocacy of the foundation of a design degree course at a leading university which would embrace not only science and manufacturing technology, but also economics and finance.

Given the very high-technology nature of its products, Rolls needs an unusually *intellectual* breed of designer—able, as Coplin says, "to work with the world's best scientists, mathematicians and technologists." Yet if the more mundane sort of engineering companies are also to survive in the brave new world of computer-aided design and manufacture, they will also need more versatile and *high-powered* designers than in the past.

At Baker Perkins, one of Britain's CAD-CAM pioneers, managing director Michael Smith foresees a growing demand for broadly-based "architect engineers." Highly expert at their own disciplines, they will also be able to "bridge" to those of production engineers and other specialists; in this they will contrast sharply with today's "long and thin" (specialised) engineering graduates.

That seems an ambitious blueprint for the design engineer of the future. It amounts to a breed of latter day Brunels.

* *Standards and routes to registration. Engineering Council,* £8.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Breach of contract

The articles of association of a small, family limited company state that when any member desires to sell or transfer any of his shares "the directors shall cause a notice to be sent to every member of the company stating the number of shares for sale . . . and shall therein invite each of such members to give notice whether he is willing to purchase any of such shares . . . the directors shall apportion such shares amongst those members who shall have given notice to purchase the same, and as far as may be pro rata according to the number of shares already held by them respectively . . ."

I am a member of the company, and I have only just discovered that a large parcel of shares passed from the hands of the majority shareholder to his son (making the son the majority shareholder) during March 1979. No notice was sent to me, and it is clear from correspondence with the share transfer agents, that there was no intention of offering me any of the shares.

My solicitor has told me that I have no claim against the directors, even though they were clearly and deliberately in breach of the articles of association. Is my solicitor correct?

We do not share your solicitor's view. You would have a claim against the directors for breach of contract (if they are also shareholders) and for breach of duty, but the damages may be nominal. We assume that there is no further provision in the articles which exempts inter-family transfers from the requirement to offer to other shareholders. Family company articles often have such a provision.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Lobbying drive to make more use of designers

A FRESH bid will be made later this month to persuade British industry to make better use of designers as a key part of its drive to improve international competitiveness.

After three years of government measures towards the same end (see left), the new initiative is being made directly on behalf of many of the colleges which train designers. It is geared in the first instance at prompting industry to give more work experience to design students. But behind it—and the support which two government ministers are lending to it—lies the message that the design colleges, unlike many other UK educational institutions, are equipping their students with skills that are directly relevant to the needs of industry.

As part of the new initiative, over 25,000 members of the Institute of Directors will shortly receive a copy of a booklet called "Design by experience—putting industry and design education on the same path."

Published by the Business and Technician Education Council (B/TEC), it describes and analyses a series of nine meetings held throughout Britain last autumn at which business-people, designers and educators met to discuss the scope for closer collaboration between industry and design education, and to promote the need for industry to accept many more student placements.

A meeting in London last night to launch this new lobbying drive was told by James Pilditch, chairman of B/TEC's design board, that 80 per cent of the students who last summer completed B/TEC design diploma courses are now employed, almost all of them in jobs directly related to the subjects studied. An additional sizeable proportion had gone on to further education and other activities, leaving only a small number unemployed.

The meeting, which was also attended by John Butcher and Peter Brooke, junior ministers for Industry and Education (respectively), was told that the "design by experience" seminars had been so successful that they would be followed by similar meetings about education and work experience for engineering students.

CL

THE ARTS

Television/Godfrey Hodgson

Dull, down the Bailey

The televising of proceedings in the House of Lords is a great advance, both in itself and because it makes the eventual appearance of cameras in the Commons virtually certain. Channel 4's *Court Report* of the trial of Clive Ponting at the Old Bailey on charges under the Official Secrets Act, is a lesser matter yet it has its significance, both as an event and in its implications for the future reporting of legal proceedings on television.

It may be that we will never allow TV cameras into courts in this country, as they are allowed in certain American States. However, as a result of the *Court Report* experiment, in which I was involved, it looks as if it will be possible to report what happens in court in a fuller and fairer way than the present system. At the moment, on ITN or BBC News, that involves a reporter doing a "stand-up" of a minute-and-a-half to camera, summarising some five hours of evidence.

The genesis of *Court Report*, like much on British television, originated in the U.S., though not by mere imitation. Late in 1971 a *World in Action* producer, Dennis Woolf, went to New York to report on the Knapp Commission, which was then investigating corruption in the New York City Police Department. Those quasi-judicial hearings admitted the network hearings. The result was so gripping, Woolf felt, that he put in a memo to Granada suggesting that it was possible to do court reports in Britain, even if cameras were not allowed into court, by having actors read an edited verbatim transcript of a trial *after* the verdict.

Woolf was talking about reporting trials of political or social significance, not merely the murders and robberies that are reported in the popular Press. Nothing came of the idea and Woolf went on to other things, including a stint as producer of Granada's realistic fictional court-room drama series, *Crown Court*. But he had not forgotten his idea, and when Channel 4 came into existence in 1982, he put it up again to Liz Forgan, senior commissioning editor then for news and current affairs.

Again, nothing happened immediately—until last autumn when the Ponting trial was much in the news. This time Forgan and her boss, Jeremy Isaacs, were enthusiastic.

The obvious question was whether legal objections could be surmounted. Channel 4 first sought advice from an eminent Conservative lawyer/politician, who said unhesitatingly that it wasn't on.

They then turned to Geoffrey Robertson, a barrister who has written a textbook on the increasing complications of "media law," and to Mark Carlisle, QC, MP, former member of the Thatcher Cabinet.

Together they advised Channel 4 that there were circumstances in which there would be no objection to a verbatim transcript of court proceedings being read out on TV, provided care was taken to emphasise that the reading was neutral and undramatic in tone, and the programme was presented as an "extended news report," not a "dramatic reconstruction."

Fortified by their opinion, Channel 4 decided to go ahead. At that point I was recruited as the editor and presenter of each day's transcript, a 25-minute script.

We then put the lady stenotypists from the Palantype Corporation over the top in their first action reporting a criminal trial at the Old Bailey. I then edited the transcript into a script. We then rushed it down to Limehouse studios and recorded it with a team of actors, who scrupulously followed the instructions to be as undramatic as possible.

The pilot was favourably viewed at Channel 4, and the decision taken to go ahead.

But the appearance of the Palantype ladies down at Bailey had alerted the authorities to what we were trying to do. It was not surprising that they were concerned. Here we were, after all, proposing to deploy our novel technique of television reporting on a political *cause celèbre*.

There were, it turned out, three separate sets of authorities to be satisfied. Channel 4's solicitors sent copies of the Press release and other papers describing our plans to the court administrator at the Old Bailey; to the Attorney-General's Office; and to the Director of Public Prosecutions—all of whom had expressed interest in what we were doing.

Several press reports based on the Channel 4 press release seem, in retrospect, not to have helped the cause of journalistic freedom.

Those of *The Times* in particular seemed to go out of their way to stress that our intention was to do precisely what our opinion committed us *not* to do — that is to re-enact the trial in a dramatic fashion.

Nevertheless, when the trial finally opened, the judge's reaction came as a surprise. After Mr Ponting had been charged, Mr Justice McCowan said he was disturbed by Channel 4's press release and its statement that actors would take the part of himself, counsel and witnesses. This could, he said, involve a substantial risk of prejudice to the administration of justice. He said he was minded to make an order under Section 4 of the Contempt of Court Act — the one we had been advised did not apply. And he mentioned a case, Crook, as precedent that judges must not hear applications by journalists or other lay persons not parties to the case.

After ascertaining that neither prosecuting nor defence counsel had any objection, the judge gave his order.

Mr Justice McCowan's order, seemed one we could live with. We had hoped that he might feel that the balance of convenience would be met by his ordering the jury not to watch our programme. At leaset he did not order us *not* to make it. Instead, he ordered that "a report of any part of the preceedings in the form proposed by Channel 4" should be postponed until after the verdict.

Did that mean we could not present a report based on an edited transcript at all? Or only that we could not produce one read by actors? We did not know, but we made our preparations hurriedly to act on the more optimistic assumption. Luckily, two eminent—and eminently reassuring — newsreaders, Robert Dougall and Kenneth Kendall, were available and accessible to Limehouse. A distinguished television journalist, Llew Gardner, whose forte has been political interviewing, was also good-natured enough to be pressed into unfamiliar service.

We were in a dilemma. We did not wish to be in breach of a judicial order. Nor did we want to give up our experiment. So we asked the judge for guidance, which he refused to give us. And that was after the court rose at 4.15 pm. We were left with the interesting problem of editing 400 pages of transcript into a 75-page script in three hours in the knowledge that the faintest slip from an ideal standard of fair and balanced reporting could bring down on us the thunderbolt of judicial ire—and shipwreck our venture.

We did it. The script was all put into indirect speech. Speeches were broken up between news readers to make absolutely plain that there was no element of impersonation. We disciplined ourselves to read in a way that could not by any possible stretch of the judicial imagination be described as dramatic.

Six lawyers attended We recorded. And then we waited.

The response was not what we had feared. Defence counsel, to be sure, asked his opinion in court, said that our programme was "not so much antiseptic in its impartiality as anaesthetic." That seemed ungracious. But what mattered was the judge, and he was handsomeness itself. He said the reporting in general had been "perfectly fair," and that we had "scrupulously" obeyed his order.

Our journalistic colleagues were neither so handsome nor so fair. With one exception, none of those who wrote about the programme made any attempt to find why we had presented the programme in the somewhat stilted way in which we had been obliged to by the judge's order. Instead they vied with one another to find amusing ways in which to describe our incompetence in producing a report of an important political trial that was not up to the Eamonn Andrews standards of jollity.

What conclusions do I draw from this episode?

1. That the hostility of the legal profession to the media—hostility, I should say, tinged with fear—is palpable.

2. That the bitchiness of journalists towards other journalists, and in particular of print journalists towards their colleagues in television, sets back the common enterprise of journalism.

3. That the greatest obstacle journalists have to overcome, if they are to extend the frontiers of their freedom, is the complete absence of any presumption in the law or among any but a minority of lawyers, that there is any value in the public interest in what they do. The Catch 22 is that, as long as their freedom is as constrained as it now is, it is hard for them to demonstrate the contrary case.

4. That it is possible to extend the limits of journalistic freedom in this country if one is prepared to meet legitimate objections in a rational spirit, and if one is prepared, in a good cause, even to look dull in order to do something interesting.

Christopher Dunkley is on leave.

Kenneth Kendall (left), Robert Dougall, Godfrey Hodgson and Llew Gardner

Borodin Quartet/Elizabeth Hall

David Murray

The great Borodin Quartet is visiting London again. The first of three South Bank concerts took place on Monday, but earlier in the day they had given a BBC Lunchtime Concert that included the remarkable Third Quartet of Frank Bridge—not just a flattering gesture, surely, for late Bridge offers rare rewards. But how on earth has he come to Russian attention?

At the Elizabeth Hall they began with the Quartet no. 2 of their name-composer, treating it again (as Dominic Gill reported here last July after their Wigmore appearance) as delicate filigree. Many a Western quartet swings into the big tunes as if *Kismet* and not Borodin were the original source; with these players everything was lightly bowed and sweetly sung, with due attention paid too to Borodin's ingenious contrapuntal webs. It was quartet-playing of extraordinary buoyancy, the more striking because their collective tone is so full and burnished.

Deeper impressions were made, nonetheless, by Beethoven and—perhaps improbably—by Stravinsky's Three Pieces of 1915. The latter, tucked in before the interval, got the most searching readings imaginable: perfectly idiomatic, from deadly pianissimo to throaty snarls to ironic nattering, but dedicated to proving that the Pieces amount to an eminently serious work. There was a persistent note of melancholy in the brittle Dance, and rich musical mime in Eccentric (inspired by the clown Little Tich); and the Canticle suggested old devotions remembered from a great distance (wonderful grey tone, soft but very dense). History hasn't after all made Stravinsky inaccessible to modern Russians.

They concluded with an exemplary account of Beethoven's first "Razumovsky" quartet, op. 59 no. 1. The light spring of their phrasing was ideal for all the bandying-about of material in the music, most obviously in the Scherzo; everything had the right easy gravity, but never a heavy note. (Their cellist—one of the original members who remained when the violins went west—supplies a bass line of high tensile strength, lean and lyrical.) Judicious use of *non vibrato* playing — nowadays only a special effect in Western performances—made magic of passages like the *fugato* in the first Allegro, and many suspended chords. The Adagio lament was the more moving for the graceful simplicity of the Borodin's manner. They can be heard again on Sunday and Tuesday, and at all costs should be.

Rumblings/Bush

Michael Coveney

George Irving (left), Anthony Jackson, David Blake Kelly and Chris Jury in Rumblings

Peter Gibbs, a reliable opening batsman for Derbyshire from the mid-1960s to the early 1970s, has turned successfully to playwriting. He has two television plays under his belt and now makes his stage debut at the Bush — which may not be Lord's; the Parks, perhaps, with small crowds and tomorrow's new talent — with a well-worked, slightly clichéd but entertaining office comedy.

It is 1987 in a Midlands engineering firm. The staff reassembles after the obligatory six-week summer break; studiously resentful Neil (George Irving) laying siege to the poised and teasing secretary Jan (Belinda Lang); Dougie (Anthony Jackson), plump and gleaming Personnel & Welfare; clerical stalwart Harold (David Blake Kelly) relieved to be away from Bournemouth and the wife, contentedly moulding himself to the chair and the desk that constitute his reason for living. Old Jack has died and into the vacated desk edges the new boy, sheepish, washed out, pimply Keith (Chris Jury).

This wing has been rendered useless by computer print-outs. The inmates sit soulfully in front of card index boxes, the double-check system nobody needs. The telephone has not rung for three years, the union rep (Leslie Schofield) defends the work ethic and the preservation of pointless jobs, there are 6m unemployed outside.

By the second act, the staff is reduced to inhouse "Happy Hour" work-outs, Jan stretching laconically in her leotard, Harold resentfully displaying a soiled white plimsoll before throwing three darts at the board and resuming his fruitless desk duty. Everything about David Hayman's smart production and Geoff Rose's cluttered design is in order until glorious take-off. The planted comic climax of the office project tails off in a reasonable gag before the titular rumblings announce the apocalypse.

The end of the world signals the start of office activity: the computer has failed and the telephone starts to ring. In a flurry of tightly organised confusion, a stray beetroot sandwich in the files is finally too much for Harold. He freaks out while the comedy unwinds in a pleasantly quirky spiral of reversed expectations among the others. Lots of goods laughs here, and an abundance of expert close-contact comic acting.

Row looms over Mantegna Magi

Antony Thorncroft

The sale of Mantegna's painting, "The Adoration of the Magi," at Christie's on April 19 is likely to unleash a row over the Government's cutbacks in purchasing revenue to the national art galleries and museums. The picture, painted in Mantuo around 1500, should sell for at least £5m and the annual purchasing grant of the National Gallery for 1985-86 is £2.75m.

The National Gallery will not bid for the Mantegna—it already has four of his works—but for the first time the price of a top quality Old Master painting will be completely outside the resources of the UK's arts bodies.

"The Adoration of the Magi" is one of the very few paintings by the leading 15th-century north Italian artist still in private hands (it is owned by the Marquess of Northampton) and it seems certain to go abroad, probably to the U.S., with the Getty Museum in Malibu and Norton-Simon the most probable bidders, although there are now rich private Americans collecting Old Master paintings and Baron Thyssen, and some German museums, will also be interested.

An export licence will be refused for a few months to enable British art galleries to try to match the purchase price, and although the National Museum of Wales, where it has recently been on permanent loan, would much like to buy it, the resources are not available. It is hard, however, to make a case that a painting which has been in the UK for about a century is a national treasure, and, apart from the Mantegnas in the National Gallery, there is the famous series of nine, on the triumph of Ceasar, at Hampton Court.

The Marquess of Northampton was probably persuaded to sell the painting, the best in his collection, because the strength of the dollar will make it cheap for Americans and because a tiny drawing by Mantegna sold for £1.1m at last year's Old Masters sale of Chatsworth drawings at Christie's. In recent years he has sold his excellent collection of Greek vases and a painting by Dosso Dossi (to Getty for £1.8m). He has to maintain two expensive homes, Compton Wynyates in Warwickshire, and Castle Ashby in Northamptonshire.

Livingstone, Mackie

Max Loppert

The Scottish husband-and-wife team of Neil Mackie (tenor) and Kathleen Livingstone (soprano) gave on Monday a Purcell Room recital that fully suggested the close vocal sympathy and deftly assured musicianship of both singers without delving very deep into the art of duet performance. The programme was to have had as its novelty the première of songs by Martin Dalby that had to be postponed; as it stood — duets by Haydn, Schubert, Schumann in the first half, Britten, Milhaud and a folksong medley thereafter — the impression of well-groomed vocal management was seldom sharpened by any notable touch of *enlivening spirit or individuality of accent*.

Mr Mackie, who has won a considerable reputation as Maxwell Davies' chosen tenor, has a soft-grained, sweet-toned manner that carries much natural appeal on its own account, but does not permit much in the way of interpretative variety; Miss Livingstone's soprano, less evenly produced, is potentially of wider range. The blend of the two voices was consistently attractive, yet there were times—especially in the Schumann group of six—when one would ungratefully have welcomed occasional asperities in the decorously judged flow of sound. The three Milhaud Elegies (written in 1939, published posthumously), wry and graceful miniatures each, came closest to distinctness of style—unlike most British singers, these two are more adept in French than in German or (especially) Italian. The dully competent pianist was John Blakely.

New London Chamber Choir

Andrew Clements

There are times when one needs to be reminded that the New London Chamber Choir is composed of amateur musicians — a programme such as it presented on Monday at St John's would usually be regarded only as the province of highly specialised professional choruses. It is typical of the enterprise of its conductor James Wood also that the renaissance half of the evening should be as adventurous as the contemporary music which followed it: a substantial mass by the 16th-century Scottish composer Robert Carver.

The programme notes described Carver as "the leading composer in pre-reformation Scotland." Evidently he had a fondness for unprecedentedly rich textures; he wrote a motet in 19 parts, and the mass, *Dum sacrum mysterium*, calls for 10 voices. It makes a sumptuous sound, nicely varied between the full chorus and sections

Birtwistle's *On the sheer threshold of the night* emerged unexpectedly earthy and expressionist under Mr Wood's direction. I have always thought it one of Birtwistle's more coolly meditative choral pieces, successor to the exquisite *Fields of Sorrow*, but here it seemed a good deal more sinewy and dramatically forceful. Walter Zimmermann's *Jeder hat seinen Ort* made a charming contrast; charm is a commodity his music is never short of, sometimes it has been its only justification. Here though there seemed more substance.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 8–14

Theatre

TOKYO

La Cage aux Folles. The Japanese version of the spectacular New York hit portraying Broadway in the 1930s. Choreography: Linda Haberman, set: David Mitchell, Yasuo Kobayashi; costumes: Theoni Aldredge, Seiji Mano. Directed by Yoji Aoi, starring Masumi Okada, Mamasomi Kondo. Imperial Theatre. (212 4611).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic thing or war, thrilling use of the Olivier's arena architecture, Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles an ensemble. (928 2252).

The Hired Man (Astoria): Worthwhile new musical of Cumbrian agricultural and war-time life, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with a high standard of singing and musical direction. Lyrics and book less secure. (734 4287).

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and da Ponte's libretto in an ambitious eclectic production. Ends March 10. (546 4000).

Royal Shakespeare Company (Opera House): With Broadway enthralled with the repertory productions of Much Ado About Nothing and Cyrano de Bergerac, stars Sinead Cusack and Derek Jacobi are bound to have a successful Washington run as scheduled until Feb 17. Kennedy Center (254 3770).

Man & Superman (Arena): Douglas C. Wager directs Shaw's intellectual tour of London, Spain and Hell itself, with the inclusion of the Don Juan in Hell scene, in a production starring the nimble Francois de la Giroday as John Tanner. Ends Feb 17 (488 3300).

CHICAGO

Adventures of Huckleberry Finn (Goodman): Stuart Gordon directs the Organic Theatre Company's revival of its 1975 local hit to commemorate the 150th anniversary of Mark Twain's birth. Ends Mar 3. (443 3800).

Daily Life in Belgium, 1940–1945

Rob van Mesdag

The timing of this exhibition, staged in the CGER bank until March 3, is most appropriate. Not only because it is 40 years ago since most of Belgium was liberated, but also because this winter has reminded older visitors – certainly those who were poor – how they suffered.

These seasonal circumstances apart, the exhibition provides a clear and chronological picture of the course of the occupation and its influence on urban and rural life.

For the first few months after May 1940 things did not seem too bad. In contrast with the barbaric behaviour of the Germans invading the country in 1914, Hitler's men were disciplined, correct and even courteous, as photographs of Belgians chatting with soldiers and officers in the street testify.

We learn from an excellent catalogue, in French and in Dutch, that this wait-and-see period lasted until the summer of that year. Then a second phase began with the imposition by the Germans of their "planned economy" system, which soon led to a stultifying bureacracy.

Meanwhile, Britain's fight against Goring's Luftwaffe in the Battle of Britain, early allied victories in Africa and increasing confidence inthe BBC – there is a sound track of "Here Radio Belgium" – left no doubt in the minds of those still in need of convincing that Hitler would never invade Britain and probably would never win the war.

June 1941 is taken as the beginning of phase three of the occupation. Hitler had invaded Russia, and Belgians recalled their history lessons about Napoleon. The catalogue contains 20 articles describing as many facets of daily life: forced labour at home and in Germany, rationing, resistance work, poverty, the black market. This information ties in with the exhibits.

Photographs and short films show the extent of the evacuation in May 1940 when tens of thousands travelling on bicycles, or by horse and cart – sometimes taking their cattle along – or on foot tried to outdistance the invading forces.

There are pictures of the hungry eating in soup kitchens, or men and women cultivating plots of land in the parks of cities, of resistance workers distributing secret newsletters in a laundry van. Wartime items include shoes and other clothing made of surrogate material, metal stoves the size of a saucepan, thus requiring little fuel, pamphlets announcing new measures, torches operated through a push-and-release system, and flat, body-shaped tanks to be carried close to the body for smuggling illegal or scarce liquids.

Most remarkable are the photographs of the flourishing black market in the Rue des Radis, which continued up to the end of the war and from which the Germans themselves profited substantially.

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Dollar threat to free trade

AS THE dollar rises ever higher, the dangers are growing for the stability of the world economy; and although the storm has not yet broken, new clouds are appearing on the horizon almost by the day.

There has been increasing awareness recently that the U.S. will soon become the world's biggest international debtor, owing foreign creditors more than Brazil and Mexico put together. However, it could be many years before the build-up of U.S. foreign debt begins to endanger the international financial system or even bring down the overvalued dollar. The world's finite capacity to absorb dollar assets tells us only that the dollar will fall eventually and that the fall will be the greater the longer it is delayed; it offers no conclusive guidance about whether this fall will occur tomorrow or late in the next decade.

Prophecies of doom with such elastic timetables make little impression on investors, politicians or voters—as Mr Paul Volcker, Mr Walter Mondale, and the many international critics of President Ronald Reagan's borrowing spree have found in the past four years.

But the dollar's irresistible rise on the foreign exchanges carries another danger which could have much more immediate impact than America's accumulation of foreign debt: the overvalued dollar is threatening many of America's domestic industries and undermining the strength of the U.S. economic expansion.

Overvaluation

It may seem odd to highlight the adverse impact of the dollar on the U.S. economy, at a time when Americans appear so obviously to be benefiting from a policy of hogging other nations' savings to finance President Reagan's budget deficits and tax cuts. Yet one of the greatest dangers to the world economy today derives directly from the domestic effect of the dollar's overvaluation; for as the dollar soars to levels which make U.S. industries totally uncompetitive, America could eventually call into question its commitment to free trade.

As the U.S. economy decelerates, largely in response to the ever-growing leakage of President Reagan's fiscal stimulus into the economies of America's trading partners, U.S. politicians will be sorely tempted to seek external scapegoats; and with the growing realisation that President Reagan's fiscal stimulus has brought some benefits, as welle as costs, to the rest of the world, the clamour for protectionist measures, to bring back home the jobs created by U.S. policies, may rise to an irresistible pitch.

Adding more fuel to the protectionist fires will be the unremitting effort of Third World countries to generate the massive trade surpluses which they require to service their debts. As long as countries like Brazil and Mexico continue to observe theoir present rescheduling agreements—which they show every sign of intending to do—they will require trade surpluses of a magnitude which can be generated only through export subsidies, competitive devaluations and other "unfair" trading policies. Their efforts will prove a greater test for the forbearance of U.S. manufacturers the more the domestic economy slows and the further the dollar rises.

Against this background, it is all too likely that the pressures against free trade and in favour of all sorts of bilateral import restraint agreements wil grow in the U.S. Congress unless something happens soon to turn the tide in the foreign exchanges. Unfortunately, the means to bring the dollar back to a more realistic level by engaging in joint intervention and ultimately by co-ordinating monetary and fiscal policies at an international level, lie with the White House and Congress, not with America's trading partners.

On present form, there seems to be no more reason to hope for U.S. initiatives along these lines in response to the domestic pressures generated by a rising dollar, than there is to fear the alternative of a retreat behind protectionist barriers. Europe, however, is not powerless to influence this choice. By agreeing to a new round of multilateral trade negotiations, including the U.S. demand to talk about services and agriculture, Europe could signal its own commitment to free trade and greatly strengthen the hand of those within the U.S. government who are trying to resist protectionist pressures. It is to be hoped that the optimism about a new trade round which emerged from the meeting of trade ministers held in Kyoto this week proves well founded.

Disruption in the schools

THE HARM to children's education threatened by a second successive year of disruption by schoolteachers' unions will go too deep to be cured by the return of the schools to normality. Many children will be handicapped for long afterwards. In the same way the malaise underlying the disruption is too deep-seated to be cured by the settlement of the pay dispute which is the ostensible cause of the trouble.

The unions are claiming a minimum increase of £1.200 a year from April 1 for 440,000 schoolteachers in England and Wales, implying a rise of more than 12 per cent. The local education authorities on the management side have offered only 4 per cent. They refuse to increase the offer unless the unions accept more stringent conditions of employment. If they did so, an additional 7 per cent rise would be available.

Management's proposals for new conditions include tighter definition of teachers' contractual duties and working hours, which would forbid most of the forms of so-called withdrawal of goodwill by which unions can now disrupt schools without staging outright strikes. The proposals also include regular appraisals of teachers' work which would ease the way to dismissing the minority of incompetent school staff.

Estranged

In making the proposals in November, the authorities brought to a head the previously open-ended talks on conditions which had drifted on for three years. The biggest union, the 235,000-member National Union of Teachers, promptly refused to discuss conditions further. In doing so the NUT estranged itself from other unions including the second biggest, the 127,000-member National Association of Schoolmasters and Union of Women Teachers. The NUT has since gained enough support among its counterparts to offer to discuss conditions—with the key exception of appraisals of teachers' work—in parallel with talks on the pay increase.

The management, determined to discuss them only in concert, has rejected the offer. The unions are threatening extended protests. In turn the authorities are increasingly talking of suing the unions and are warning individual teachers that they will be liable to disciplinary measures if they take disruptive action such as refusing to supervise pupils at lunchtime. The management's hand is strengthened by the decision of the National Association of Head Teachers not to support other unions' industrial action.

Given the obdurate shilly-shallying over conditions on the unions' side, the management might understandably be tempted to face out the issue on the model of the National Coal Board. If so, however, there is a risk that the education authorities may overplay their hand and give rise to severe disruption at an educational cost from which thousands of children may never recover.

Leaders of the biggest unions, at least, are evidently even more willing than the management to incur such damage. But they at present disagree about how best to respond to the education authorities' tactics. Moreover, they evidently lack the concerted support of their members, most of whom care enough about the education of the nation's children to have no taste for disrupting it for the second year running. Most also seem professionally committed and confident enough to accept not only tighter contractual conditions, but also regular appraisal — if the education authorities employing them individually could assure them that the appraisals would be carried out with professional objectivity.

The probability is that most teachers feel remote from the battle over conditions which is being waged by managements and unions above their heads. If the authorities matched their firmness at national level with sensitive local efforts to understand and assuage the anxieties of the staff of their schools, they might cut away much of the ground from under the unions' stance.

While not guaranteed to break the deadlock, the use by the authorities of sensitivity to temper their toughness would be worth a try. Without it, the threats against individual teachers who obey the calls for disruption seem most likely to provoke ordinary members of the unions to give their chiefs the concerted support they at present lack—with children as the prime victims.

Britain's Sleipner veto

Why the fall-out will be widely felt

Ian Hargreaves looks at the biggest trade deal that never was

SIR DENIS ROOKE, the formidable chairman of British Gas, wore a more than usually careworn expression on Monday morning as he looked up from his text on "the habitat of palaeozoic gas in North West Europe" and explained that he would not be able to stay to listen to the conference he had just opened.

"I'd like to stay," he told his audience of geologists, "but when you are chairman of a corporation like British Gas, you have to spend your time on politics." He was off, as it turned out, to hear personally from Mr Peter Walker, the Energy Secretary, the Government's decision to veto the corporation's plan to import $30bn of supplies from Norway's Sleipner field.

Sir Denis, however, is not the only person taking stock in the wake of the Government's decision, which has effectively redrawn western Europe's energy map, not to mention altering the odd contour in Britain's fiscal and balance of payments outlook. The Sleipner contract, had it gone through, would have been the biggest trade deal in British history.

The Sleipner decision has, in fact, four main points of impact, upon:—

- Gas producers — especially Norway, which must now come up with an alternative gas marketing strategy
- Gas consumers — especially British gas consumers, for whom Sleipner has significant price and supply implications.
- Energy politics. The vetoing of Sleipner represents a direct snub by the Thatcher Government for Washington's anti-Soviet, pro-Norwegian gas diplomacy.
- UK energy policy. The Sleipner decision will affect the pattern of North Sea development, coal demand and energy prices.

"Potentially, this decision is much more important than either the settlement in the coal strike or Sizewell (the proposal to build a pressurised water nuclear reactor at Sizewell in Suffolk)," says Jonathan Stern, an energy analyst at Chatham House.

In international terms, if not in domestic political and economic terms, Mr Stern may well be right. Although not spiked with the drama and subterfuge of Opec ministerial meetings, the world gas business has incubated its own political character in recent years as gas has taken a bigger share of the energy market and the Soviet Union (with 44 per cent of world reserves) has emerged as the key player in the game. "Russia is becoming to world gas reserves what the Middle East is to oil," says Sir Denis.

The Soviet Union, in common with that of the other major gas producers, will not be pleased with Britain's Sleipner decision. Sleipner is a major chunk of gas—7 trillion cubic feet (200bn cubic metres), equal to over four years of total UK demand. Unsold, it will remain a drag on a market where prices are already weak, and where the Soviet Union hopes to secure new customers

How long Sleipner remains unsold will depend upon Norway's gas marketing strategy. Prior to the British rebuff, the idea was to dispose of Sleipner into the British market, where it would have replaced supplies from the Norwegian Frigg field, and then move on to develop the even larger Troll field. This lies north from Sleipner, in deeper water and is therefore more expensive to develop. The Troll partners (Statoil and Shell are the main ones) had already started talking to the consortium of continental purchasers, led by Ruhrgas of Germany, before the Sleipner deal fell through.

There has been some suggestion during the dog days of the three-year Sleipner negotiations that this consortium could yet move into to bid again for Sleipner, confident of securing an even better price than the one offered to British Gas.

But if that happened, the Ruhrgas consortium's appetite for Troll would be reduced, possibly placing Britain in the front line ou some future Troll negotiation—a prospect hardly appealing to the Norwegians in the light of British behaviour over Sleipner. Troll is, essentially, the State Department's main weapon for preventing

Russia will not be pleased with the decision

further European dependence on Soviet gas.

"Britain's Sleipner decision is the last nail in Troll's coffin," says Mr Stern. "It won't be developed now until next century and probably not until the end of the first decade of that century."

Said one continental government official with responsibility for gas policy yesterday, "Norway will have to do as other gas producers have done—to accept a more flexible net-back principle in their marketing. Otherwise they wil not sell gas."

To accept this so-called net-back principle, Norway would have to agree to re-opener clauses in its gas contracts—as the Soviet Union, the Netherlands and, unofficially even the hardline Algerians have done—allowing the price paid for Norwegian gas to reflect more sensitively the price realisable by gas utilities in the market place.

So far, however, there is no sign of Norway accepting such a change, perhaps because to do so would involve pressure to unravel its existing contract with the Ruhrgas consortium for supplies from the Statfjord field. In 1982, in a stronger market, Statfjord was able to command a base price of $5.28 per million BTUs, compared with around $4.15 in the vetoed Sleipner contract.

Norway's initial response to the Sleipner decision, however, has been to announce accelerated development of the Gullfaks oil and gas field.

No matter what strategy emerges from Oslo, however, it is clear that Europe is not going to be short of gas in the next few years. In addition to Norway and abundant Soviet supplies, Algeria, whose liquefied natural gas facilities are operating well below capacity, has since lost most of its U.S. business in that country's "gas bubble," shown signs of a more pragmatic and therefore effective approach to the European market. The Netherlands, too, having abandoned strict reserve depletion controls, is hungry for additional exports.

The glut of supply has made its impact upon the baseline price in new contracts, but it feeds into eixsting contracts more slowly. As the charts show, gas demand in Europe has been rising quite strongly—up over 8 per cent in 1984, according to European Commission estimates—and imports have steadily increased market share.

But as the charts also show, gas prices, being linked to the price of heavy fuel oil (normally with a six month lag) will be dragged higher in the first half of this year, choking off some of the incremental demand which gas has enjoyed as a power station fuel and chemical feedstock

It is these contractually permissible price increases which suppliers are now under pressure to waive in the interests of defending gas's market sehare: whether that be against fuel oil and coal in the power station market or gasoil and cheap nuclear-generated electricity in the home heating business. "In the long term, new Norwegian gas must be competitive with oil products and electricity in the relevant end-user markets, be it in Germany, the U.S. or Sweden," says Einar Risa, natural gas sales manager for Statoil.

In other words the gas business, traditionally iron-bound to a system of long-term contracts, is straining to become more like the oil market, where customer-supplier relationships change rapidly and prices change by the minute.

All of this ought to be good for consumers, but anyone who pays a gas bill in Europe and especially in the UK knows how tempting governments have found it to manipulate gas prices either in the interests of discouraging demand, raising revenues or both. Overall, however, domestic and industrial gas prices in the EEC have moved more or less in line with oil prices—which is to say that in local currency terms they have gone up steadily in the last two years

In the continental European market, there is much debate about whether this link between gas and oil prices could be broken if one of the major gas producers, hungry for market share, started a price war.

In the UK, however, the Sleipner decision is certain, in one way or another, to work its way through into prices. In principle, by preferring accelerated development of UK gas reserves, Britain is reducing the price it will pay for almost a quater of its gas in the 1990s, assuming that British Gas continues to take advantage of its isolated buying power to hold down the price paid to oil companies and the Government continues to refuse permission for gas exports. The going North Sea price is 24p a therm or around $3 per m BTUs at current exchange rates.

It is possible, of course, that with British Gasb loodied in the battle of Sleipner, the oil companies will seize the initiative and press towards their objective of an international price for the North Sea.

If that happens, a familiar battle between the Treasury and the Department of Energy, will rsume. The Treasury sees advantages in higher prices paid for gas to the oil companies in order to increase tax revenue; in addition higher prices mean bigger profits for British Gas which the Treasury also taps in the form of annual negative external financing limits. This year, British Gas will probably pay more than £1bn in various levies, taxes and negative EFL.

The Department of Energy agrees with this line of thinking up to a point. It, too, thinks that gas prices should, on balance, rise marginally more quickly than electricity prices in the interests of absorbing surplus electric power capacity and, perhaps, preparing the ground for the programme of nuclear power station building the Department would like to see in the wake of the Sizewell B inquiry. But Mr Walker is a populist figure, who believes lower energy prices are good for jobs and votes.

The chances are that on balance, the veto of Sleipner will mean dearer gas for consumers, simply because British Gas will now have less power to dictate prices to UK suppliers. That, of course, is one of the main reasons British Gas wanted to buy from Norway.

If the Sleipner decision does become a springboard for higher gas prices, that too could suit the Government's objectives for the post-strike coal industry. If Coal Board output is not to slip well below 100m tonnes a year, it will be vital for coal to capture more of the industrial market which, confident of Sleipner, British Gas has recently started to attack with some vigour.

"We'll see an end to all that expansion in the industrial market," says Mr Stern. "British Gas is going to be in the business of demand management rather than supply management."

That, however, would be against the grain for British Gas, which since the switch from town gas to natural gas a decade ago has enjoyed almost unchecked growth in demand. Shorn of its oil interests by privatisation and nervous about the Government's future privatising intentions, British Gas needs the self-confidence that further growth offers. It would be unwise to count it out of the fight for industrial markets, yet.

In a muted statement after the Government announcement, British Gas served notice that it has not abandoned the idea of imports, although its negotiating position cannot but be weakened by the events of the Sleipner saga. There is also little doubt that British Gas's desire to import gas from the Soviet Union—commercially a judgment of impeccable logic—will not be tolerated by this government. Mr Buchanan-Smith said on Monday that any imports in the 1990s would be from western Europe—which means the Netherlands or Norway.

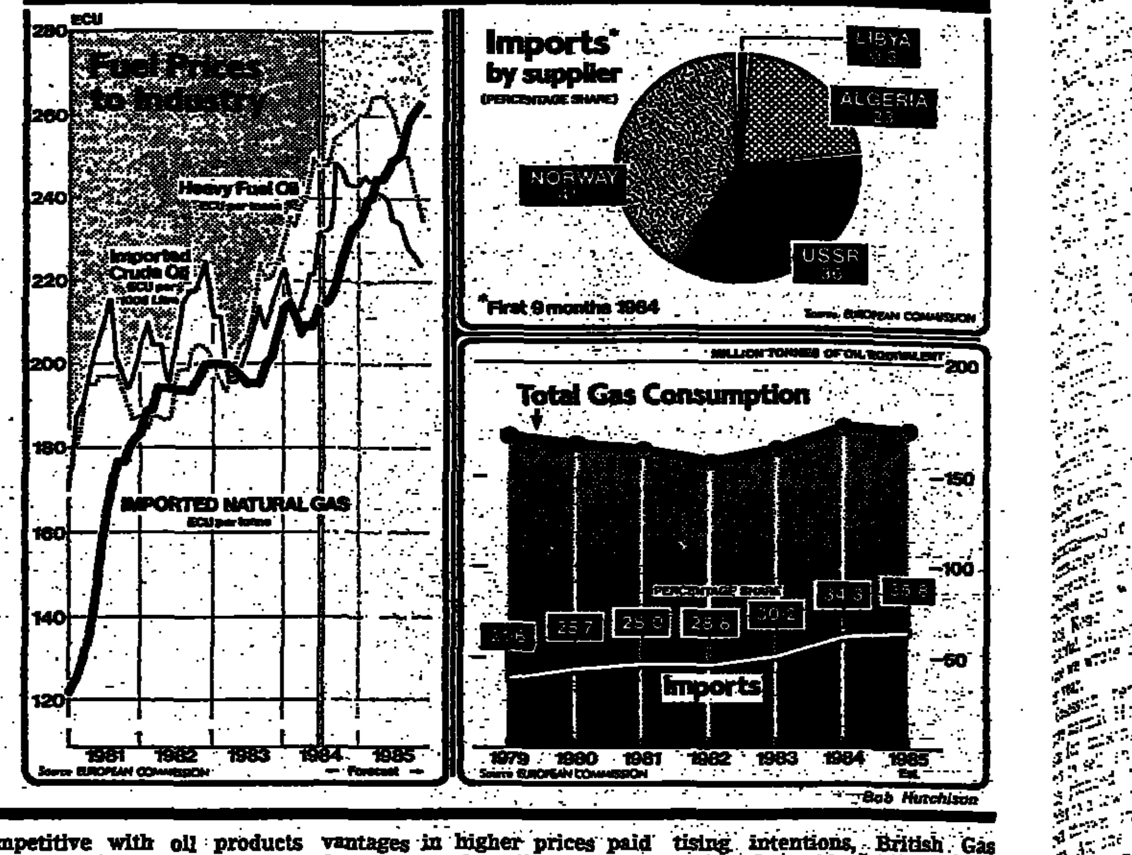
It was not really clear from this week's Government state-

British Gas has not abandoned idea of imports

ments whether Britain is now pursuing a full-blooded policy of self-sufficiency in gas, as it has done in oil, or merely taking investment decisions as they come; ensuring flexibility, but risking charges of inconsistency and strategic confusion.

But if the Government's case sounds weak in energy policy terms, as it will to most independent observers, it sounds well enough in Exchequer terms; a £1.5bn a year saving to the balance of payments in the mid-1990s and somewhere between £3bn and £10bn in additional tax revenues, according to various estimates. Jobs will be created, too, in the offshore industry as a result of increased domestic gas production, although probably not as many as the 30,000 being suggested in Whitehall.

In the end, however, the Government did not really need to address major energy policy issues in order to justify its thinking of Sleipner. The tombstone over the $30bn contract need only read: "as we contemplated, the world changed."



Bob Hutchison

Men and Matters

Recalled to the Treasury

Less than three years after leaving the Treasury, Howard Davies is returning on secondment from management consultants, McKinsey, as a special adviser and speechwriter to the Chancellor, Nigel Lawson.

Davies will fill the all-too-obvious gap in Lawson's armoury caused by the departures of his monetary policy and exchange rate adviser Sir Adam Ridley, and his speechwriter Michael Portillo, now MP for Enfield Southgate.

Aged 34, Davies will work in tandem with Peter Cropper, former head of the Conservative Research Department and now the Chancellor's adviser on taxation.

During the year he expects to be at the Treasury, Davies' main task will be to improve the presentation of policy both to Tory backbenchers and the wider electorate.

A product of Manchester Grammar School—he is still a keen City football fan — and Merton, Davies was recognised as a potential high-filer from his first days in the Civil Service.

His first posting from the Foreign Office was to Paris where he ended up as private secretary to Ambassador, Sir Nicholas Henderson.

Davies caused some dismay at the FO by seeking a transfer to the Treasury, where, after being sent to Stanford for a Sloan Programme MBA, he worked on monetary policy. With then Chancellor, Sir Geoffrey Howe's blessing, he also became an important Treasury link-man with various City institutions.

The Treasury, too, was loth to lose him when he decided to join McKinsey and turn his hand to a range of business strategy studies. And his departure was marked with a huge "privatisation" party in Whitehall.

As a former edito rof Cherwell, and a regular book reviewer for the Economist, Standard and Literary Review, he should be able to find the words that Lawson seems to have been losing.

"I'd go that way—but who listens to a judge's directions noweday?"

Allen's energy

Arnold Allen, sandy-haired head of the UK Atomic Energy Authority, was sufficiently confident of the Government's reorganisation plans to hold a couple of meetings to brief his top staff last month.

The problems of getting them together in one place at one tim,e he says, outweighed any drawbacks from the Government's delay in making its statement. There were no nuclear leaks.

Around Whitehall, Allen is being praised for the way he has shored up the morale of a quango with plenty of enemies but without a full-time chairman since the Prime Minister posted Sir Walter Marshall to the CEGB nearly three years ago.

Allen's efforts were rewarded on Monday with a handsome tribute in Parliament to the worth of the UKAEA as a research base which has spawned a new industry employing about 100,000 and provided about 18 per cent of our electricity last year.

A suave 60, Allen was due to retire to his Dorset farm last December. Come July, he will complete 40 years as a civil service administrator, mostly with the Authority.

No scientist himself—despite his trim beard—he points out that his board boasts no fewer htn four Fellows of the Royal Society. He worked for Lord Plowden, the first chairman, and another non-scientist.

When Prof Sir Peter Hirsch, part-time chairman, refused all offers to stay, Allen agreed to spend a year as "caretaker" chairman. Time is now short to find Allen's successor before October. But a front-runner must be the lately-knighted metallurgist, Sir Robin Nickolson, who last autumn signed up for another three years as the PM's chief scientific adviser.

Outward bound

Lo Tak-Shing, once tipped as one of Hong Kong's most promising political figures, yesterday resigned from his seats on the executive and legislative councils after waging a lonely year-long struggle over the terms under which Britain has agreed to hand Hong Kong back to China in 1997.

Lo, who was born in China but educated at Taunton, and Wadham College, Oxford, has discreetly boycotted meetings of the two councils — packed with a social and industrial elite handpicked by the Governor — since last summer.

He fell out with British negotiators and other Hong Kong politicians over Britain's refusal to offer a lifeline to local people who are likely to be made stateless after 1997. The Sino-British agreement showed that the two governments had simply "agreed to disagree" over the future nationality of Hong Kong citizens.

China insisted that everyone of Chinese blood is a Chinese citizen. Britain was unwilling to open the door to Hong Kong's British passport holders who were appalled by that prospect, but has sought a face-saving formula designed to give the impression that they have not been completely deserted.

As a member of the executive council, Lo was fully aware of the problems of the nationality issue in the Sino-British talks. He first offered his resignation last autumn but was prevailed upon to stay put.

In December, he set up a company called Hong Kong Freedom of Movement and Rights of Abode, to provide advice on emigration and investment overseas to people who want to leave Hong Kong before the Chinese takeover. He put HK$500,000 of his own money into the non-profit making organisation which, in the month since it opened for business, has interviewed 500 potential emigrants.

Lo said yesterday: "It is not proper that a country does not say to its people that they should have somewhere under its domain to live." He said he had resigned in protest because "there is a time in life when you have to do what you think is right."

A solicitor, Lo is understood to have a passport out of Hong Kong, though he has not revealed to what country. Most of his clients, so far, want to go to the U.S., Canada or Australia. The number wanting to come to Britain is "about the same as the number wanting to go to South America."

Right man

Who better to open an international coffee seminar in Lome this week than the Togo rural development minister, Koffi Walla?

Observer

HONG KONG'S ECONOMY

A VETERAN British businessman, just arrived in Hong Kong on his twice-yearly visit, sat back easily in the garden lounge on the top floor of the territory's select Hong Kong Club. "It's astonishing how Hong Kong wears its heart on its sleeve," he said: "Last July, the paranoia bit into you before you got through the airport terminal. Today, it's bustling business as usual."

Those of us living here were aware this had happened, but had never perceived it so starkly. A year ago, he would have looked down on street riots and an acrimonious taxi strike. Local newspapers no longer bristle with scares about Chinese troops being stationed in the territory, about compulsory conscription into the People's Liberation Army, or about cadres infiltrating the government machine.

The daily advertisements from obscure corners of the globe—the Caymans, Guam, Tonga or Mauritius—soliciting investment in exchange for safe havens have disappeared, along with the neuroses on which they fed. Hong Kong is no longer the "fearful, divided and obsessed" place we wrote about in August last year.

Obsession remains—but the more normal Hong Kong obsession for making money. The rush to sell shares which last July plunged the Hang Seng Index to a low point of 740 has been thrown into dramatic reverse. Anyone brave enough to buy shares then would today be gloating over an 80 per cent profit, with stockbrokers worldwide talking of Hong Kong as one of the best potential investments in 1985. A number of confidence-building deals have been sealed, and property prices have begun to edge up for the first time since 1982.

Mr Li Kashing and Hong Kong's famous Victoria Peak

Now it's back to making money

By David Dodwell in Hong Kong

As festivities welcoming in the new year — the Year of the Ox — are about to begin, the traditional Cantonese toast is more than usually appropriate: "Kong hei fat choi" means something like "Here is wishing you make lots of money." If fear and greed are the two forces driving Hong Kong — as one prominent broker noted last week — then fear is on the wane for the first time in three years, and greed may soon again be in command.

Psychologically, the turning point has been the successful completion last September of Sino-British negotiations over the future of Hong Kong once China regains sovereignty in 1997.

The secret and often-fraught negotiations dragged on for two years, creating uncertainties that reached fever pitch in summer last year as British and Chinese diplomats dismissed unmistakable signals of serious disagreement with anodyne claims that the talks continued to be "useful and constructive." Public relief when the deal was done was audible.

Economic indicators have suggested that Hong Kong has emerged from this period of trauma surprisingly robust—and it is not just the Hang Seng Index that suggests this.

Exports for 1984—still to be officially confirmed—are about 30 per cent up in value terms on 1983, despite growing protectionist pressures and still-sluggish demand in Europe. Foreign investment has been pouring in, rising from HK$7bn (about £805m) in late 1981 to almost HK$11.5bn by October last year. The U.S. accounted for more than half of this.

The territory boasts full employment, with inflation down to about 8 per cent. Government economists say GDP growth in 1984 is likely to have been over 8 per cent, and are forecasting 8 per cent growth in the year ahead.

A spotlight has been focused on one company in particular as a symbol of reviving confidence—the trading group Hutchison Whampoa, headed by Mr Li Kashing. Born in nearby Guangdong province, Mr Li began his business life 30 years ago with barely any money, and even less formal education. He is now a Hong Kong dollar billionaire, and is thought by many local people to have an unerring flair for moving in the right direction at the right time.

Not surprisingly, therefore, his announcement in December that Hutchison is to spend HK$4bn on a major new waterfront housing development gave a significant fillip to a property market that has been moribund for over two years. Even more dramatically, Mr Li made a snap decision two weeks ago to buy a controlling stake in Hongkong Electric, one of the territory's leading utility companies for HK$2.9bn.

The deal was the biggest in Hong Kong's history, and at the same time made Mr Li's corporate empire the largest in Hong Kong. It accounts for 18 per cent of the asset value of Hong Kong's Hang Seng Index—more even than the Hongkong and Shanghai Banking Corporation.

Despite the signals from Li Kashing, it would be premature to conclude that all winds are now set fair. Hong Kong's textile industry expects to lose about HK$3bn in export orders, and about 60,000 jobs, if the U.S. refuses to revoke new legislation on certificates of origin for garment imports.

Manufacturers in Hong Kong's increasingly important electronics industry are also vulnerable. Many are heavily committed to making cordless and one-piece telephones, even though the main market—the U.S.—has been swamped for over a year.

While foreign investment has been buoyant, few local manufacturers seem to have followed Mr Li's lead and backed their talk of renewed confidence with fresh investment. For many of them neighbouring China is both the shadow and the silver lining that hangs over the territory's future.

It is a shadow because, despite Mr Deng Xiaoping's commitment to "one country and two systems," many Hong Kong people retain a gut fear that the authoritarian, centralised and bureaucratic giant to their north cannot successfully nurture capitalist prosperity in the territory after 1997.

They look back over 48 years of turmoil on the mainland and remain convinced that the elements for stability are not yet in place.

Foreign businessmen have for years used Hong Kong as their stepping stone into China, and now that Mr Deng has decentralised economic decision-making, the role of Hong Kong middlemen has become even more critical. Even Japanese businessmen, who for years have bypassed Hong Kong, talking directly with the giant state corporations in Peking, are having to turn back to Hong Kong intermediaries, with their complex personalised links with China's provincial capitals and economic zones, to get deals done.

As a result of these changes, Hong Kong's visible trade with China has soared over the past five years. Exports to the mainland have jumped from under HK$2bn in 1979 to about HK$35bn last year, while imports have gone from HK$15bn to HK$52bn. As Hong Kong has re-emerged as a critically important entrepot for foreign trade with China, so re-exports have leapt from HK$7bn in 1979 to over HK$50bn last year.

Other startling signs of the impact on Hong Kong of China's economic modernisation are beginning to emerge. Until 1982, Hong Kong banks were net lenders to China. But China's investments in Hong Kong since then have been so substantial that the opposite is now the case. Overall net indebtedness to Chinese banks at the end of last September amounted to HK$13.8bn — a HK$20.3bn turnabout in three years. The 13 licensed banks which operate in Hong Kong under the umbrella of the Bank of China are now second only to the Hongkong and Shanghai Banking Corporation.

Industry Department officials in Hong Kong are at present deliberately withholding statistics reflecting China's investment in local manufacturing industry because they think these would trigger panic newspaper headlines about a Chinese takeover of the territory.

It is perhaps paradoxical that for the time being at least Hong Kong people share a common interest in local prosperity, no matter what their views of the future. Those who remain chronically suspicious of Peking's intentions are keeping their own counsel, and saving as much as they can to afford a bolt hole. Those who have given Peking the benefit of the doubt are keen to demonstrate the effectiveness of its freewheeling economy. Those keen to see off British colonial rule are striving to win positions of power and influence to speed the territory's reintegration with the mainland. It is a marriage of convenience as effective as any.

Next month's UK Budget

Why Lawson must take the initiative

By Gavyn Davies

THE STERLING crisis has undoubtedly changed the Chancellor's Budget thinking. His most obvious (and perhaps most likely) response is to react defensively, reducing the planned tax cuts, dropping his ideas for major tax reform and leaving the 1985-86 PSBR *significantly* below the intended £7bn. His objective would be to impress the markets enough to bring interest rates down again. However, this negative approach would simultaneously put at risk the economic recovery on which this government politically depends, would eliminate Mr Lawson's *raison d'être* as a reforming Chancellor, and would expose the Government's strategy to be nothing more than one of old-fashioned deflation.

The economy needs something better than this. A more positive approach is now possible, designed to overhaul the Medium - Term Financial Strategy (MTFS), and to reassert control over the markets through definite action, rather than through mind-numbing caution.

A more positive approach is now possible

Several lessons should be learned from the operation of the MTFS so far. First, despite the fact that sterling M3 expanded by 65 per cent instead of the planned 34 per cent in the four-year period covered by the original 1980 version of the MTFS, inflation has come down more or less as originally intended. Excess money growth has boosted real output, and caused a sustained drop in the velocity of circulation, rather than having an adverse effect on prices.

Given the margin of spare capacity which still exists in the economy, it seems highly probable that an unchanged monetary policy (implying sterling M3 growth of say 9 per cent p.a.) will continue to result in higher output rather than worsening inflation.

This should, therefore, be the Chancellor's objective. However, I can fully see that the markets may need reassuring that such a monetary policy would in fact be compatible with stable or falling inflation. This is why I suggested some weeks ago that the Treasury should introduce a specific inflation indicator among its target variables *for* setting monetary policy. The best indicator, in my view, would be the rise in unit costs which would be taken into account alongside monetary growth in determining interest rate policy. Econometric analysis shows conclusively that changes in unit costs are still the best lead indicators of inflation—far better than any of the monetary aggregates. The Government should set a unit cost target allowing growth of say 5 per cent per annum, tapering down in future years. Monetary policy should be tightened if unit costs begin to rise for any reason more rapidly than this. Two obvious possible reasons could be a rise in pay settlements relative to productivity growth, or a decline in sterling which was not offset by lower oil and commodity prices. But the Chancellor would not erroneously tighten monetary policy if apparently rapid rates of money growth were again promising to boost real output (or to reduce velocity) rather than increasing inflation.

I now turn to the fiscal policy which would be appropriate in this monetary context. First, some facts. According to the OECD, Britain has by far the tightest budgetary policy of any major nation, with a structural budget surplus adjusted for inflation of around 2 per cent of GDP. Britain is the only OECD country where government debt has fallen relative to GDP since the mid-1970s. Yet, despite the severity of this fiscal stance, especially since 1981, real UK interest rates have not come down, and the exchange rate has not been stabilised. An even tighter budgetary policy from now on would have little favourable impact on real interest rates (which are substantially determined by world savings and investment flows in an integrated international capital market) and would probably lead, after an initial announcement effect, to a further drop in sterling. If the Chancellor wishes to stabilise the currency (a sensible objective in view of its fairly-valued real level), an appropriate *easing* in the fiscal stance could help by strengthening the attractiveness of UK assets to international investors.

This leaves open the question of how much fiscal policy should be eased. It seems reasonable, so long as the economy is working well below capacity, that even a cautious view would be satisfied with a policy which aimed to stabilise the ratio of outstanding Government debt to national income, rather than actually reducing it. The present medium-term projections look for a trend growth rate of 2½ per cent, at an average inflation rate of 4 per cent, which means a rise in nominal GDP of 6½ per cent annually. This means that Government debt could be allowed to grow at the same rate; and since outstanding debt at present represents half a year's GDP,

It could be a last chance to buck the trend

this implies an average borrowing requirement equal to half the nominal growth rate, or 3¼ per cent of GDP. This would imply a target of £10½bn next year, rather than the £7bn stated in the MTFS. Again, though, as with unit costs, the target should taper in line with the hoped-for fall in inflation, reaching a zero-inflation, stable-debt level of 1½ per cent of GDP in the end.

Considerable scope would then be available to expand the Community Programme, raise public investment and, if desired, cut income tax in the Budget. A still more ambitious approach would need to wait until the Government was willing to enforce its unit cost target with some form of incomes policy. But the Chancellor already has it in his power to wrest the initiative back from the markets with the positive package I have outlined. It could be Mr Lawson's last chance to buck the trend towards negativism.

The author is chief UK economist, Simon & Coates.

Letters to the Editor

Ripple effect of pit strike

From the Managing Director, Strucsteel (Engineering)

Sir,—Much has been made of the deprivation suffered by the striking miners and the problems besetting their communities about which we will make no further comment but we however feel it necessary to comment on the ripple effect it is having on other industry.

Small companies in mining areas or those who previously relied almost exclusively on mining products are now finding that they have absolutely no work. They have cut back their labour force, reduced overheads, done everything possible to stay in business but they are now reduced to going outside their normal areas of work and endeavouring to obtain contracts in areas both physically and tradewise foreign to their background and experience. The effect on industries in those areas into which they are now effectively emigrating is that as the newcomers have no historic knowledge upon which to base their tenders they are going in at prices which for themselves are suicidal and in many cases result in the final demise of the company as not understanding the area of trade, generally commercial building or local authority work that they have now entered, they under-price and subsequently go to the wall. The problem is that this is reducing prices for all other contractors within that specific area and as such forcing them to adopt the same methods if they wish to continue their trade, as to not bring down their prices in line with other, even though they are uneconomic, is to invite annihilation because of dying cash flows. We have already seen a number of our regular competitors go out of business because of exactly these problems with companies which have no work whatsoever in their own areas coming into their areas and have experienced this already ourselves.

Tendering used to be an art, it is now he who dare cut the deepest wins, and no heed is taken of the consequences by those recipients of the tenders. The eventual cost to those people and the country will be great.

John C. Sharp.
Mill House,
Station Road,
North Humberside.

Honda's electronic components

From the Director-General, Electronic Components Industry Federation

Sir,—Your article (February 11) on Honda's possible car plant in Swindon says that a feasibility study is under way for Japanese producers of, *inter alia*, electronic components to set up in the UK, and foresees an influx of Japanese component suppliers into the Swindon area to serve Honda.

UK manufacturers are already supplying advanced electronic components to the automotive industry and are fully capable of meeting the requirements of Honda, Nissan and any other companies setting up production here. While the "just in time" inventory system may, as you say, require component suppliers to locate close to Honda's projected factory, there is no need at all for foreign inward investment for this purpose.

Richard H. W. Bullock.
7-8 Savile Rod, W1.

A statutory requirement

From Mr D. Waring

Sir,—Your editorial of February 5 was interesting but understated the problems which arise from the taxation of the lump sum. In local government the lump sum is not just a tradition it is a statutory requirement which employers and employees accept as part of the contract of employment.

If the state decided to tax the lump sum is the tax rate to be at the same percentage irrespective of whether the sum is £2,000 or £20,000? Are employees to be given the option of moving from a maximum pension of half of salary plus lump sum to just a pension at two-thirds of salary?

The job of demolishing tax shelters could start with mortgage interest relief which is just as anomalous but lacking, of course, an attractive political backing.

D. Waring.
16, Berry Hill Road,
Cirencester, Glos.

Not a lot of large surpluses

From the Assistant General Manager, Standard Life Assurance Co

Sir,—Despite its opening statement "As the Meade Committee noted in 1978, the taxation of pension funds is theoretically almost ideal," your editorial (February 5) seems to offer the Chancellor encouragement for some form of taxation of pension funds, mainly on the grounds that many pension funds have "very large surpluses." How large would these surpluses be if we have another dose of the high inflation rates and negative investment returns of the mid-1970s? What about the many pension funds (and their members and dependants) which do not have very large surpluses? Further, will these surpluses be both large and many once proper adjustments have been made to pension fund liabilities in order to allow for the cost of revaluation of preserved benefits and, where applicable, the removal of franking?

If despite the fears and alarm bells the Chancellor does proceed to tax pension funds I know at least one actuary who would be more than happy to co-operate in designing practical methods which would assist the Chancellor to achieve his aims. Not only because this actuary believes the alternatives would be worse but because he wonders how many more occupational pension scheme burdens employers—especially small employers—will tolerate before they rightly cry "enough is enough."

Drew Lyburn.
PO Box 62
3 George Street
Edinburgh

On a rising pound

From Mr T. Yeo, MP

Sir, — As Anatole Kaletsky pointed out (February 7), the current transformation of the U.S. from an international creditor to a debtor and the size of its current account deficit can only lead to a gradual decline of the dollar in the short term or a sharper decline at a later date.

This prospect provides the Chancellor of the Exchequer and the Governor of the Bank of England with an unparalleled opportunity to back their proclamation of confidence in sterling with tangible deeds.

It is not unreasonable to suppose that at some time in the next 10 years the pound will rise against the dollar perhaps by 20 per cent from today's level, that is, to $1.32.

Almost £40bn of the quoted British Government's debt in sterling denominated bonds is not due to be repaid until after 1996. Now is the time, therefore, to switch this debt into dollar-denominated bonds. Reversing the process at $1.32 to the £ would release as much as £8bn capital profit.

Political opposition to this proposal could be deflected by agreeing to apply the profit, once realised, to infrastructure investment.

At the very least the funding of the current PSBR should be undertaken by the issue of dollar-denominated bonds rather than the usual sterling gilt issues, one more of which has just appeared.

Tim Yeo.
House of Commons, SW1.

Chunnel vision or lack of it

From Mr G. Goddin

Sir,—Michael Donne (February 4) followed the error of the Eyre inquiry into airport capacity around London, by overlooking the likely realism of British Airports Authority projections of air traffic growth to the 1990s, and concentrating on relative viabilities of the infrastructure "options." Differences that could be swamped by outturn variation in air traffic growth.

Air transport competes with surface transport, especially on short-haul routes below 400-500 miles. The Channel tunnel (or Brunnel?) if "on stream" by the late 1990s could seriously affect traffic on flights to Paris and Brussels, and compete strongly on longer distance European tourist, and "optional" travel, offering a service quality between plane and coach.

The inquiry both lacked and suffered from tunnel vision!

G. W. Goddin,
(Lecturer Transport Systems),
Department of Business Studies.
Napier College,
Sighthill Court,
Edinburgh.

Distilled wine lake

From Mr N. Kirke

Sir,—I would like to congratulate you on the excellent article on the EEC wine lake (February 8). The implications of the problem should, however, be examined further. The article referred to the subsidised distillation of the wine lake into "industrial alcohol." It is true that part, or perhaps most, of the wine lake is distilled into alcohol which may be used either for industrial purposes or for making certain spirit drinks. A further part is distilled into wine spirits—that is to say grape brandy. This (subsidised) brandy competes with unsubsidised spirits, including cognac. Imports of grape brandy into the UK rose by 10.6 per cent in the third quarter of last year. The wine lake does not cease to be a problem merely by being distilled.

N. A. Kirke.
134, Kennington Park Road,
SE11.

FINANCIAL TIMES

Wednesday February 13 1985

Jurek Martin describes a skilful approach by Trade Representative Bill Brock

U.S. nudges at Tokyo's trade barriers

THE U.S. is often criticised overseas for a lack of policy continuity, but the claim is harder to substantiate on the trade front.

One major reason is because over the last eight years there have been only three trade representatives and two of them, Mr Robert Strauss under President Carter and the incumbent, Mr Bill Brock, have, without question, brought their political skills impressively to bear on complex policy issues. When they speak, their audiences tend to put down their knives, forks and as in this particular case, chopsticks.

The same instinctive respect is generally not accorded Japanese ministers of international trade and industry, mainly because they come and go so fast (there have been no fewer than six of them in the four years Mr Brock has been on the job). In reality, of course, it is the Miti bureaucracy, not its ministers, who run national trade policy and successfully, too, if the growth in the bilateral trade surplus with the U.S. from under $18bn to over $34bn in the same four years is any yardstick. But a consequence is that Japan still lacks an authoritative designated spokesperson on trade matters.

This is an edge which Mr Brock sought to exploit yesterday morning when he brought his finely tuned style to an audience of 400 influential politicians and businessmen during a breakfast session at a Tokyo hotel. The message was predictable, that there is a "serious and rapidly worsening" deterioration in Japan's trade relations not only with the U.S. but also with its other trading partners and, by implication, that it was proving increasingly difficult to keep the protectionist hounds in Congress at bay.

But it was the rhetoric and the sometimes understated argument – it seemed more in sorrow than in anger – that were deliberately designed to catch the eye and ear. It was Mr Brock reducing the technical and the abstruse of trade friction, already a daily meal in itself in the Japanese media, to the comprehensible, the humane and the mundane. It was the former politician from Tennessee (a long discarded role in truth) trying to strike a chord with those of similar bent in Japan.

His trust was that the succession of Japanese trade packages, all widely heralded in Japan, had made no difference to the external perception that Japanese trading practices were unfair.

"Every year, as the tide of protectionism apparently recedes (in Japan), we find more rocks on the beach," he intoned. In the future, he said, the U.S. was no longer going to be impressed by the number of barriers removed, but only by the increase in actual trade flows from the U.S.

Though warning that the sense of frustration in the U.S. had become "extremely serious," he emphasised that it was not simply an American perception.

"I have never been in a country which did not say to me 'when is Japan really going to open up and when are you (the U.S.) going to make it open up'." Even if the exchange rate helped explain why Japanese exports to the U.S. had surged, the yen's relative strength against other currencies had not resulted in higher Japanese imports from other countries.

Mr Brock was not above pretending to be baffled himself. It may well be true, he said, that in some cases foreign companies did not try hard enough to sell to Japan (a standard and not inaccurate Japanese defence), "but not to the point of explaining why some American companies are successful everywhere in the world – except Japan.

He used, perhaps inevitably, telecommunications as a prime example. The U.S. telephone system, he said, was the best in the world and two of the four best companies in the world were American with impressive export records.

Yet NTT, the Japanese monopoly due to be partially privatised on April 1, had never bought a "core communications network" from the U.S., only 4 to 5 per cent of its total procurement had been from the U.S. and "virtually none" from Europe.

He was sceptical about the pending Japanese telecommunications reforms, which, indeed, are still in the secret purview of the notoriously secretive Ministry of Posts and Telecommunications (MPT) less than two months before they are to take effect. Foreigners had been allowed to testify before MPT, he noted, but "were not allowed to see the MPT ordinances, and, it is hard to testify when you don't know what the subject is." (any listening Miti men, long inured to bureaucratic warfare with MPT, might at this stage quietly have applauded).

He produced the example of a U.S.-made kidney dialysis machine, widely acknowledged to be the world leader. Under the Japanese medical reimbursement scheme, he said doctors are paid Y300,000 ($1,045) a month to use a rival Japanese system but must pay a fee, recently doubled to Y40,000 a month, if they use the U.S. equipment.

He complained that over the weekend, while conferring with other trade ministers, he was unable to buy an American cigarette at the Kyoto International Conference Centre. Perhaps he thought his male audience, in a country where some 65 per cent of men still smoke but where only 2 per cent of all tobacco sales are foreign-trade, would be moved.

He even threw in high cube containers, which are actually made in Japan. "For 14 years, U.S. firms using these containers to carry Japanese exports have tried to ship them back to Japan with U.S. goods inside them – but Japan denies us the right to do that."

There was, of course, throughout his remarks the implicit observation that it was the bureaucrats, who, by nature, look at trees not woods, who were at the root of unreasonableness. He is certainly not the first to take such an approach and he will not be the last. The trouble is, from a foreign perspective, that Japan would much rather be run by its bureaucrats than its politicians – and probably rightly so.

Indeed the current U.S. approach of focusing on specific market areas, rather like the European Community's before it, does tend to play into Japanese strength which is a sophisticated bureaucracy capable of technical defensive actions of the highest quality.

This probably explains why Mr Brock, having just made the acquaintance of yet another Miti minister, tried an end run round the system with his warnings of the apocalypse over the horizon. That, of course, is exactly what Mr Robert Strauss used to do, which perhaps proves the point that there really is continuity in U.S. policies.

The EEC is prepared to do its part in trying to persuade the developing countries to join the preparation for a new General Agreement on Trade and Tariffs trade round, according to Mr Willy de Clercq, the Commissioner for External Relations, writes Jurek Martin.

A new round could be successful only under "maximum conditions," meaning the widest possible participation and a generally agreed agenda, Mr de Clercq said after a day of discussions with Japanese government officials in Tokyo.

The U.S. hopes, as does Japan, that a meeting of high level officials can be convened in July before the formation of a Gatt preparatory committee, with actual negotiations getting under way next year.

Mr de Clercq emphasised that the Commission has yet to take a detailed stand on the new round. When it did, it would present its findings to the Council of Ministers. He cited a number of coming meetings in this process.

On bilateral issues he hoped that the next promised Japanese market opening package would be "geographically widespread" (not exclusively tailored to the U.S.).

● Some dimension of Japan's trading success was provided yesterday with the announcement that, using customs clearance figures, it had recorded its first trade surplus in the month of January in 36 years. For a variety of reasons Japan previously has always incurred a deficit in January.

THE LEX COLUMN

London hangs up on STC

STC has spent the last year demolishing its City reputation with a thoroughness which would leave even the shareholders of Thorn EMI aghast. For the institutions, yesterday's rights issue was the coup de grace. Having reluctantly financed the acquisition of ICL, they were not surprisingly furious at being asked to pay for it all over again.

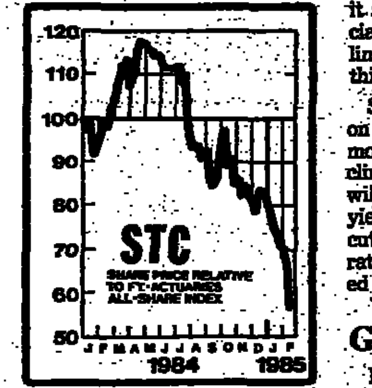
That, of course, was not quite how STC presented the situation. But the company's arguments about financial flexibility carried no weight at all. Cazenove had to employ all its charm and cunning to complete the underwriting and by the day's end STC shares were showing a fall of 34p. At 200p, they stood only 4¼p above the rights subscription price after adjusting for the absence of a final dividend in the new shares.

STC's timing was admittedly very unfortunate. Both IBM and Data General chose yesterday to make gloomy statements about current earnings, while the London market as a whole was in retreat. But the City's response was largely of STC's own making. The estimated STC profits for 1984 were very disappointing – higher than 1983's only thanks to an extraordinary credit of £8m – and the forecast is for much the same again in 1985.

Profits from TXE4 exchanges are running down rather faster than anticipated, while the International Aeradio acquisition is failing to match the earlier expectations. But the most remarkable deterioration is in STC's balance sheet. At the end of 1983, debt represented roughly 6 per cent of shareholders' funds. By the end of last month, gearing had risen to around 90 per cent. And that was after paying for ICL mostly in paper.

Shareholders' funds have been depleted by roughly £40m of deferred tax provisions, while the £87m of debt acquired with ICL and the £95m cash cost of buying the company have been augmented by a £70m cash outflow within STC itself. And since the year-end tax and working capital have absorbed a further £100m.

The institutions might have felt less uneasy about setting the balance sheet straight if STC had expressed clearer ideas about how it plans to use the £168m it is seeking. As it was, STC announced that both R & D and capital spending will be much the same this year as last. The group is even budgeting for a small cash inflow from operations.



Assuming that profits this year work out similar to 1984's £140m pre-tax, earnings will cover even a maintained dividend payment less than twice. STC is promising great things for 1986 but the City is by now thoroughly accustomed to longe-range optimism from the electronics sector and will treat STC's projections with suspicion. The whole sector is under a cloud – yesterday the FT-A Electronics Index fell 4.9 per cent – and it will take more than brave words to lift it. After the underperformance of the past year, it is hard to see how STC can restore its standing in the City.

Sterling

Either the European central banks have a crafty strategy up their sleeves, or they have just missed one of the best opportunities of recent weeks to stop the dollar in its tracks. With the New York market shut for Lincoln's birthday and no particular reason for the dollar to rise, concerted intervention in such a thin market might have left exposed traders feeling a little sore.

As it was, dollar bulls were encouraged by the dog that did not bark. Sterling hit a low of $1.0845 – down 1½ cents from the day's peak – and the dollar finally broke through the DM 3.30 resistance point on traders' charts. Against European currencies, though, the pound slipped only a touch.

Maybe the central banks did nothing because they believed yesterday's wind was too strong to lean against. If and when profit-taking occurs, the argument would run, concerted action could be both cheaper and more effective. If the Bundesbank and the Bank of England sincerely believe their currencies to be undervalued, however, it should make long-term commercial sense to buy D-Marks or sterling, particularly when markets are thin.

Sterling's fall, meanwhile, gave on overdue dose of realism to the money markets, which have been clinging to the hope that base rates will soon fall. The flattening of the yield curve now points to a small cut around Budget time, while base rates of 12 per cent are not indicated until late summer.

Gomme

In these days of shrinking workforces and high returns on investment, there are a great many companies with pension funds worth more than their businesses. Gomme Holdings, of High Wycombe, is one, but maybe not for much longer.

As a producer of furniture, it has paid no dividend to shareholders since 1980; as a funder of pensions, it has more than doubled the value of its assets for its 211 members in the past three years. Even after yesterday's surge in the Gomme share price the market values the company £3.2m less than the actuarial worth of its pension fund assets.

In these circumstances Gomme has decided to wind up its pension fund, strip out two-thirds of the actuarial surplus of £4.1m and add it to taxable profit. This still leaves members with a new pension scheme on rather better terms. Shareholders should get a dividend at last and the furniture business will enjoy some investment.

Property revaluations and currency gains on overseas equities are not exactly irreversible, but the Inland Revenue would recognise overfunding here and might have difficulty in insisting it all be paid out to a reduced membership.

Equally, yesterday's 10p rise in the share price to 40p at the news shows all its employee-members just why the stock exchange should insist it be told such price-sensitive information first – even if employees and the Revenue might have liked to have know beforehand.

There are more unscrupulous and predatory companies in the world than Gomme, however. At the very least the Revenue, the stock exchange and the actuarial profession should consider guidelines for a cloudy and possibly dangerous practice.

Leopard 3 tank plan shelved by Paris, Bonn

By Peter Bruce in Bonn

THE troubled Franco-German project to design and build the Leopard 3 main battle tank for the 1990s has been shelved, the project leader, Munich-based Krauss Maffei, said yesterday.

Krauss Maffei, part of the Flick industrial empire, indicated that the tank would not appear before the end of the century. Krupp, through its MaK diesel engine subsidiary, was to have been the other main German contractor.

The decision not to go ahead with the Leopard 3, which has not left the drawing board and which has been the subject of dispute between the West German and French contractors since the project was announced in 1979, is likely to concentrate efforts at Krauss Maffei to reduce its exposure in the military hardware market in favour of its civilian operations, including plastic moulding machinery and process technology.

Arms and defence-related sales, the company said, nevertheless accounted for about 75 per cent of the DM 1.94bn ($592m) turnover last year (down from DM 2.25bn in 1983) although the arms division employed only 30 per cent of its 5,000 personnel.

Most of Krauss Maffei's profits in the past decade have come from sales of the Leopard 1 and 2 battle tanks. The company said the Leopard 2 would be modified as an alternative to its ill-fated successor, but there are question marks over how many more it can sell. Sales of the Leopard 2 to the West German, Dutch and, more recently, the Swiss military total more than DM 8bn.

Ironically, the improvement in incoming orders on the civil side last year to DM 406m from DM 260m comes as Krauss Maffei is at the centre of a concerted takeover attempt by a consortium guided by the country's biggest arms producer, the Messerschmitt-Bölkow-Blohm (MBB) aerospace group.

Nato proposals on manoeuvres, Page 2

STC £168m rights offering meets cool market response

BY JASON CRISP AND MARTIN DICKSON IN LONDON

STANDARD TELEPHONES and Cables, which paid £411m ($452m) in shares and cash for ICL last year, returned to the market yesterday with a £168m rights issue.

The company's shares slid 34p to 200p on news of the issue combined with disappointing results for 1984 and indications that there would be little improvement this year.

STC's merchant banker Morgan Grenfell and its brokers Cazenove had a far from easy time arranging the underwriting and sub-underwriting, although this was completed yesterday afternoon.

Excluding exceptional credits of £8m STC's profits for the year ending December 1984 rose only £2m to £94m. The company also reported a sharp increase in debt of more than £100m in January to £370m because of tax and other payments.

Having accepted so much STC paper at 270p last autumn to finance the acquisition of ICL the City of London was far from enthusiastic about yesterday's rights issue. As the newly issued shares priced at 190p will not be eligible for the final dividend of 5.75p they are now only at a 4.25p discount to the market price.

Sir Kenneth Corfield, chairman and chief executive, said yesterday that if it had not had the rights issue the company might have had to cut back on research and development expenditure. The company does not, however, expect to make any significant increase in either during the current year.

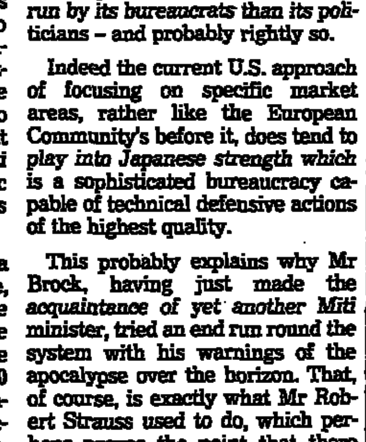
Sir Kenneth said 1985 would be a year of consolidation for the company and indicated there would be little growth in either profits or sales.

ICL's profits for the year ended December 1984 were £43m, down from £47m in the year ended September 1983. (The change in year end is to coincide with STC.) The fall in profit was because of a £15m rationalisation cost to cover redundancies and factory reorganisation.

ITT, the U.S. multinational which used to own STC and still holds 24 per cent is subscribing to all of its entitlement of the rights issue. Last year ITT reduced its holding in STC from 29 per cent and sold its shares at 280p.

With the FT Ordinary index down 21 points on the day, STC's price some 35 per cent below the level of nine months ago and the generally bearish attitude to the electronics sector one London analyst said: "The timing could not have been worse."

See Lex; Background, Page 26



Mr Yassir Arafat

Middle East peace bid

Continued from Page 1

Hussein into separate discussions on the Palestinian issue.

King Hussein and Mr Arafat are also believed to have agreed that a confederation of a Palestinian state in the West Bank with Jordan would be a condition of any peace settlement.

King Hussein, who advanced his plan for a settlement of the Arab-Israeli conflict at a meeting last November of the Palestine National Council – the PLO's parliament-in-exile – flew yesterday to Algiers where he was expected to seek support for the Jordanian-PLO initiative.

Meanwhile, militant figures in the PLO have condemned Mr Arafat over his reported agreement with King Hussein. Mr Nayef Hawatmeh, leader of the Democratic Front for the Liberation of Palestine said it would encourage King Hussein to conclude a "capitulatory settlement at the expense of Palestinian rights," and that it was a departure from the PLO's "national programme."

David Lennon adds from Tel Aviv: Israel reacted with surprise and irritation to the announcement of the accord. Most politicians were reluctant to react officially. They took refuge in declarations about the need to await the text of the agreement before commenting.

Mr Yitzhak Shamir, the Foreign Minister, who is the leader of the right-wing Likud bloc in the coalition, flatly rejected any possibility of contacts with the PLO in any form or under any circumstances.

Mr Arafat returned to his Tunis headquarters for discussions with Palestinian leaders on the PLO-Jordanian formula for Middle East peace, **Reuter reports from Tunis.**

No details of the proposal for the settlement of the Palestinian question have yet emerged, but Mr Arafat said on his departure from Amman that it was "an historic event."

PLO spokesman Ahmed Abdel-Rahman said the joint-action formula would be discussed over the next two days by the 60 member Revolutionary Council of Arafat's Fatah guerrilla group, the backbone of the PLO.

The meeting will be followed by a session of the PLO's 70 man Central Council in Algiers on February 17-18 to endorse the formula, he said.

Jordan and the PLO have been hammering out a joint approach to Middle East peace since the Palestinian parliament-in-exile, the Palestine National Council, met in Amman in November.

Thatcher denies secrets role

Continued from Page 1

Parliament? If you did, did you endorse it, and if you did not know, will you now condemn it in the strongest possible terms?"

He then asked, "What was your involvement in the decision to prosecute Mr Ponting?"

Mrs Thatcher immediately took up his final point, declaring "ministers have absolutely no room in deciding whether or not to prosecute."

She said Mr Kinnock knew full well that decisions about prosecutions were made by the Attorney General and the Director of Public Prosecutions and that ministers had "no role in it whatsoever."

Mr Kinnock told her "You say now, and you said to me before, you were not involved in the decision to prosecute – frankly I have to say I don't believe you."

Waving aside Conservative protests, Mr Kinnock spoke of Mrs Thatcher's "domineering style of government," and said this forbade belief that she was not involved in so important an issue.

He recalled that during Mr Ponting's trial it had not been suggested that he had disclosed any information which damaged national security and he invited the Prime Minister to say "what issues of national security were at stake in the Ponting affair."

Backed by Labour cheers he demanded "What reason, other than the political convenience of the Government, motivated the prosecution of Mr Ponting?"

Mrs Thatcher retorted "I have told Mr Kinnock that. I must ask him explicitly to accept what I say.

"I was not involved in the decision to prosecute a particular person. He knows that is correct and I must ask him to accept, otherwise you are making a very grave accusation indeed."

Andrew Taylor writes: Mr Ponting said yesterday that he had not decided what to do next but was "open to offers." He had not heard from the Ministry of Defence about his future employment but said it was up to the Ministry to contact him.

"I am finishing a book and am looking forward to a rest. After that I am not sure," he said. He had no regrets about his actions. Of the Attorney-General's statement Mr Ponting said: "I hoped he would have said that nobody else would be prosecuted under Section Two of the secrets Act when national security is not involved.

"I hope nobody else has to go through what we have been through in the last six months."

He added that he saw no reason why the so-called "crown jewels" document on the Belgrano affair which had been seen by 12 jurors and a clutch of lawyers should not also be made available to parliament. The few highly sensitive areas in the document could easily be left out without losing any essential facts.

Mr Ponting's book, The Right to Know, is expected to be published in about two weeks. Part of it is to be serialised in London's Observer newspaper this Sunday.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	11	52	Dubrovnik	–	–	–	Malaga	C	21	70	Salzburg	–	–	–
Alcudia	S	17	63	Faro	R	16	61	Malta	F	15	59	Seoul	C	3	37
Algiers	R	18	64	Florence	F	6	43	Manila	–	–	–	Singapore	T	26	79
Amsterdam	S	-4	25	Frankfurt	S	-8	18	Miami	–	–	–	Stockholm	S	-3	27
Athens	C	14	57	Funchal	S	20	68	Milan	S	2	36	Strasbourg	S	-8	18
Bahrain	S	19	66	Geneva	C	-4	25	Moscow	Sn	-17	1	Sydney	F	24	75
Bangkok	–	–	–	Gibraltar	R	17	63	Munich	S	-10	14	Taipei	–	–	–
Barcelona	F	17	63	Guernsey	S	0	32	Nairobi	R	25	77	Tangier	C	17	63
Beirut	S	20	68	Helsinki	Sn	-8	18	Naples	C	16	56	Tehran	–	–	–
Belgrade	–	–	–	H. Kong	C	17	63	New Delhi	S	20	68	Tel Aviv	S	22	72
Berlin	S	-9	16	Innsbruck	–	–	–	New York	–	–	–	Tenerife	–	–	–
Biarritz	R	11	52	Inverness	S	-3	27	Nice	R	7	45	Tokyo	C	9	48
Blackpool	S	0	32	Istanbul	F	11	52	Oporto	C	15	59	Toronto	–	–	–
Bordeaux	C	11	52	Jersey	C	-2	28	Oslo	F	-11	12	Tunis	C	17	63
Brussels	S	-7	19	Jo'burg	–	–	–	Paris	S	-2	28	Valencia	S	19	66
Budapest	S	-8	18	Las Palmas	S	22	72	Prague	S	-13	9	Venice	S	-1	30
B. Aires	–	–	–	Lima	–	–	–	Reykjavik	F	3	37	Vienna	–	–	–
Cairo	–	–	–	Lisbon	C	16	61	Rio de Jo	–	–	–	Warsaw	S	-15	5
Cape Town	S	26	79	Locarno	C	2	36	Rome	S	11	52	Zurich	C	-9	16
Caracas	–	–	–	London	S	0	32								
Casablanca	F	20	68	Los Angeles	–	–	–								
Copenhagen	S	-4	25	Luxembourg	S	-8	18								
Corfu	T	13	55	Madrid	F	17	63								
Dublin	F	1	34	Majorca	F	16	61								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Chernenko cancels talks

Continued from Page 1

briefed privately by Moscow. Mr Szuros' surprising candour was clearly prompted by the fact that this time even Soviet officials have shed some of their notorious reticence about Kremlin leaders' health.

Last week the editor of Pravda confirmed that Mr Chernenko was ill, but this was followed by the perplexing report of the Soviet leader addressing the Politburo. The Papandreou visit was seen as clearing the confusion about the gravity of Mr Chernenko's illness.

Mr Papandreou, who has opposed U.S. bases in Greece, yesterday signed a protocol on political consultations with the Soviet Union underlining the independence of Greece's position within Nato.

Discussions also took place on joint commercial ventures. A $450m contract for the construction of an alumina plant – to be jointly financed – was signed and a further study is to be carried out on the construction of a $1.5bn gas pipeline from the Soviet Union to Athens via Bulgaria.

The Soviet Union is eager to get this project underway but Greece wants Moscow to show increased support for Athens over the disputes with Turkey in the Aegean and Cyprus.

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FINANCIAL TIMES SURVEY

Although only one in 15 subscribes to private health care in the UK, U.S. groups scent big profits in new hospital building. Growth in subscribers, however, depends on curtailing medical costs

Private Health Care

By Carla Rapoport

BRITAIN'S HEALTH care sector is about to change drastically. The private health business—for long a very junior and only begrudgingly accepted partner to Britain's National Health Service—is gaining self-confidence, thanks to a new spirit of commercialism growing within it.

This spirit is prompting structural changes in the £500m-a-year market. Some changes are happening now, others are likely to follow within the next few years. Not all of these changes mean good news to everyone in the sector.

The shifts are these:

● Last year, for the first time, the commercial, profit-making hospitals pulled even with the charitable hospitals in the provision of beds in full-service private hospitals. Since 1979, the number of beds in charitable hospitals have grown by 12 per cent; the commercial groups' beds have grown by 141 per cent.

● Two months ago, AMI, the UK subsidiary of a leading American hospital group, surpassed the Nuffield Hospitals as the largest provider of private hospital beds in the UK. This year, AMI expects sales to reach £55m, compared to £20m in 1981. Its employees have doubled to 4,000 in the same period.

● Bupa, the provident association whose name has long been synonymous with health insurance in the UK, has seen its market share erode from over 73 per cent 10 years ago to about 63 per cent because of increasing competition in the field. Many observers predict a further slippage over the next five years.

● The National Health Service, spurred on by a Conservative Government anxious to secure a better use of resources, has itself become a spirited player in the provision of private health care. NHS hospitals may now keep the revenue earned by accepting private patients rather than return their earnings to a central kitty. After six years of decline the number of NHS pay beds has begun to swell, staging a 30 per cent increase from 1,980 to 3,110 beds at present.

Underlying these shifts is an almost palpable social trend. The days of relying on the NHS for all of one's health care needs are over for a growing section of the population. These people are looking for ways to *prevent* themselves from becoming ill and are willing to provide a larger part of their disposable income to get them. From booming sales in granola bars to the mushrooming growth of vitamin sales and psychotherapy, the alert private health care providers will be benefiting most from this trend.

"The market isn't the 4½m covered (by health insurance). It is the remaining 50m people and giving them access to the private sector," says Mr Gene Burleson, chief executive of AMI in the UK.

The growing commercialism of the sector, however, is not entirely compatible with the ethos of a number of the major players. Bupa, and its main competitor, PPP, stress that their non-profit status still makes the private health care they provide more palatable to the average UK resident. Most, they say, remain uneasy with the idea that profits are being made out of their sicknesses.

Rising costs

Profits or no, the problem that the provident associations have run up against is costs. PPP's premium for its top, full-coverage corporate policy for a four-person family has jumped from £242 in 1981 to £673 this year. An individual seeking the same coverage would have seen his premium jump from £370 to £968 in the same period. There is no need to pick on PPP; Bupa's premiums have been racing ahead of the retail price index (RPI) in recent year (see chart, page 4).

There is nothing particularly greedy about these increases; the nature of a provident association is simply to estimate a premium which will cover a company's benefits, plus 10 per cent or so to cover administration and marketing. In the past few years, however, the providents have been caught in a double bind. On the one side, they have been hit by new commercial insurers breaking into the market with attractive introductory offers. On the other, they have had to keep up with escalating medical costs, and the fact that more people are actually using their health insurance.

The escalating premiums knocked the market-place's growth on the head. In 1980, the three major provident associations notched up a 31 per cent increase in business; in 1981, growth was 14 per cent. In 1982, when Bupa's premiums jumped by 28 per cent, growth slumped to 2.8 per cent and has been running at less than 5 per cent since.

Critics of the providents say that better commercial management could ease some of these cost pressures and open up the market-place. Many predict that the providents will be unable to maintain their hold on the market as more companies move into cheaper, self-administered health insurance plans. Waiting in the wings, watching this development with interest, are some of the biggest commercial insurers in the country.

Hogg Robinson, the UK insurance brokers, has recently set up a scheme to aid companies improve the management of their health care spending. After a three-year period in which its own premiums rose by 20 per cent per year, Hogg Robinson took its own medicine last year and found it was able to reduce its premiums by 34 per cent with no reduction in the amount of benefits paid out.

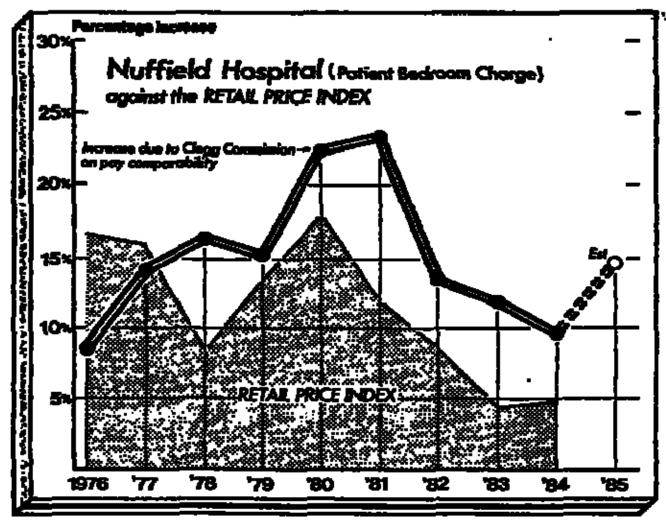
"Bupa has offered a fantastic service, but has fallen behind the times," says Pamela Williams, a director of Medisure, a young health care consultancy group which specialises in the small, but growing self-insurance area. Hugh Elwell, a long-time consultant to the provident associations, and member of the Conservative think-tank, the Centre for Policy Studies, is much blunter: "Arrogance, lethargy and lack of innovation will lose them this commanding lead, which then quite correctly, will be taken by those of the more thrusting insurance companies."

An operation in progress in air-conditioned surroundings in the BUPA-managed Fitzwilliam Hospital, Peterborough

Advertising

Bupa and PPP, for their part, reject these complaints vigorously. "It's easy for other insurers to cream off the best risks. Our premiums tend to be higher because we are offering something for everyone and advertising the generic product much more, particularly with our TV campaign," says Roy Clarke, Bupa's executive director of health insurance

Bob Graham, Bupa's new managing director, says that growth should not be achieved at the expense of sensible financial management. "We are not terribly pre-occupied with holding our share of new growth. If the market expands to 10 to 12 per cent of the population, we'd be happy to have 50 per cent of the new growth."



As for the new interest in self-administered health insurance schemes, Mr Graham says: "I'm sure it's on the way out. We can give that service if they want it, but we've found those that have tried it come back to us."

Mr David Lock, managing director of PPP, is not so sure. He says the group's dip in growth to just 3 per cent last year was in part due to the move to self-insurance. As to PPP's own long-term growth picture, he says: "We don't have to grow in the main line health insurance field. There are a lot of areas of health care we can go into."

One area that PPP is not likely to go into is the hospital business. The growth of new commercial hospitals around Britain has made the environment an extremely tough one for the existing participants. Oliver Rowell, managing director of the Nuffield Hospitals, is a fierce critic of what he calls over-building by the commercial groups. He has repeatedly called for the establishment of a watch-dog body which would monitor and regulate the growth of the private hospital sector.

New growth

The commercial groups, however, contend that the well-managed, up-to-date hospital creates its own demand. Even Bupa has proved this rule. After its Norwich hospital opened last year, its number of subscribers in that area grew at twice its national average.

AMI has other ideas on how to lure in more customers. "People will not be introduced to private health care through acute care, but rather through screening, preventive health care schemes and walking wounded clinics, this is the way we see our growth developing," says Mr Burleson. "We don't look at local demand in an area, we look at future demand.

"Bupa and PPP should stop scrapping over premiums and look for new business. Only 7 per cent of the country is insured. That means 14 out of 15 aren't," he says.

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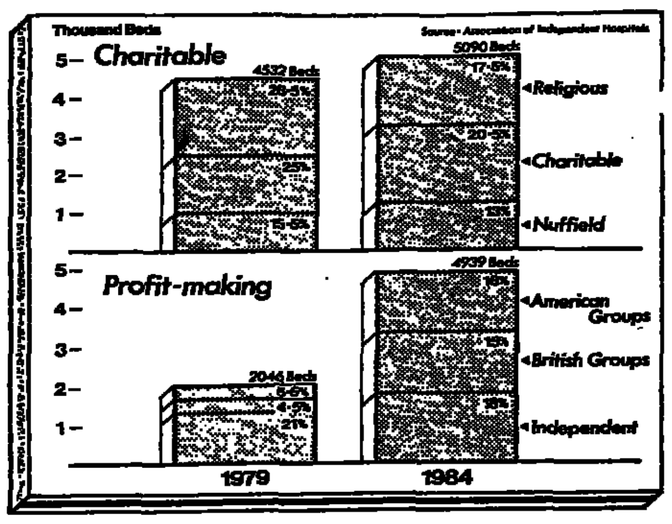


More profit-making beds

Of the total 6,578 beds available in 1979 in private hospitals 69 per cent were in charitable hospitals but by 1984, when 10,029 beds were available this percentage had fallen to 51 per cent. Over the same period the for-profit groups' bed share rose from 31 per cent to 49 per cent

Olivia Timbs follows the changing status of health insurance

From perk to automatic benefit

IN THE BEGINNING private health care was limited to the rich, and free health insurance was a status symbol for company directors. Then, towards the end of the late 1970s, when the Labour Party was in power, health insurance became one way of slipping a few extra hundred pounds to other senior executives without breaking the terms of the Government's incomes policy. This was particularly true when there was a complete freeze on senior salaries and inflation was over 20 per cent.

Following the "winter of discontent" of 1978-79 when ancillary staff disrupted the hospital service, many more companies and individuals, believing they were witnessing the death rattle of the National Health Service, took health insurance. The provident associations like BUPA and PPP could not believe their luck: the boom of 1980 saw a 25.7 per cent increase in subscribers with forecasts of 12m people covered by private medical insurance by 1985. In fact, just over 5m people are protected at the moment.

Over the past few years there has been a marked change in the status of health insurance. There has been a shift away from the idea of it being a perk for top executives to its being available for all: either as an automatic benefit always included in a salary package (along with the company car), or as a company scheme which gives employees preferential terms over individuals but to which they have to contribute themselves. Discounts of 40 per cent may be offered to companies with large numbers of employees in the scheme.

The health insurance market is now split in two. Two-thirds of all subscribers come through companies, and the other third is families and individuals. The company share also divides in two: schemes where the employers pay the contributions (free health insurance) and those where employees have to foot the bill.

Executives fringe benefits
(from 1979 to 1984)

	Percentage health insurance	cars
1979	51	69
1980	58	72
1981	60	74
1982	63	77
1983	65	77
1984	69	78

At the top end o fthe market—where the perk has become the automatic benefit—there has been an impressive increase over the last few years in the number of executives give free health insurance.

Salary survey

Nigel Bryant of Inbucon Management Consultants says that their most recent UK salary survey of over 600 companies and 7,000 executives has shown that free health insurance is now enjoyed by 69 per cent of executives. Five years ago only 51 per cent enjoyed the benefit. The only other perk that has increased significantly is the use of a company car. Here the growth has been steadier—up from 69 per cent of executives to 78 per cent over the same period.

There are a number of interlinked reasons why free health insurance has grown in this way.

● Despite the present Government's protestations, many believe that the health service is slowly and inexorably being eroded by the contraction of resources and a concomitant drop in morale. Employers imagine that there is a long wait for every operation and the standard of care provided has fallen.

The reality is, in fact, rather different. Anybody requiring emergency care will be better off with the NHS—whether it is for a heart attack or injuries following a car accident. NHS facilities for these cases tend to be better than those in the average private hospital. For routine operations, people with health insurance buy the convenience of choosing when and where to have the operation, but there is no guarantee that they will receive better care.

● Companies want to ensure that when employees need medical treatment they are treated well and efficiently and at a time convenient to all parties.

● The disadvanage of losing senior staff for weeks need to be minimised. The financial constraints of the past few years have meant that employees who have avoided redundancy have to be more productive than before and this is one factor behind the spread of income to junior managers, companies cannot afford to lose a useful member of staff during an important operation for that week.

According to a spokesman for BUPA companies specialising in new technology are contributing significantly to the continued growth in free health insurance. Rank Xerox, for example, provides free cover for all employees. The theory is that because the staff are so highly skilled and the market is so competitive companies cannot afford to be without them for long. It is in the company's interest—not just in the employee's—for him or her to back at work as soon as possible after treatment for a minor complaint.

These company needs are reflected in the schemes which different organisations offer the employees. BP, for example, which has a reputation for good in-company medical service has a group scheme which individuals may subscribe to, but nobody is offered free cover.

Senior staff at ICI are offered free medical insurance and only a tiny percentage refuse the deal. Managers in the lower echelons are able to join the sceme but they have to pay themselves.

IBM have been offering all staff free health insurance since September 1979, which developed from a small scale scheme for senior staff. A spokesman for the company said they do not consider the benefit a perk in the sense of being an alternative to pay. The terms are applied universally so it is part of the total salary package. The company scheme covers husbands and wives and children up to the age of 18 and as it is a taxable benefit, normal tax allowances tend to be reduced by between £150 and £200 per annum.

Over the past decade, companies have changed their policy on health service provision in line with their overall approach to staff. What was at first seen as a privilege was later used as a way of keeping employees happy and of preventing them seeking out employers offering better benefits. Now it is often a method of ensuring that employees are able to work at maximum capacity. As such private health insurance has become a direct benefit for the company.

Fourteen new hospitals and 880 new beds are planned for 1985-86.
Isabel Walker discusses the expansion.

Spectre of overbedding

DESPITE STORIES about overbuilding and under-occupancy in Britain's private acute hospital sector, the growth in beds, which has flourished since 1981, shows no signs of slackening off in the coming year.

Fourteen new hospitals and a total of 880 new beds are planned for 1985-86. This will bring the total complement of beds to just under 11,000, which represents a growth of about 150 per cent over the past 10 years.

The building bonanza started in response to a spectacular expansion of health insurance in 1979, 1980 and 1981, when subscribers to the three major provident associations grew by 16, 28 and 13 per cent respectively. However, the growth in health insurance trailed off dramatically to just under three per cent in 1982 and a mere two per cent in 1983.

There are some signs that the market may be picking up again, with an estimated growth of about five per cent last year but the supply of beds currently increasing by about nine per cent a year, is now threatening to outstrip demand.

That is the view of Mr Oliver Rowell, chairman of the Nuffield Hospitals charity, which owns 32 UK hospitals and is now largely concerned with upgrading existing facilities. Mr Rowell, whose hospitals in major centres such as Birmingham have suffered intense competition from commercial developers in the last few years, has complained on more than one occasion about the "haphazard, unco-ordinated growth" of private hospitals.

Controls sought

Last year he called for Government controls over private development to maintain the profitability of the sector as a whole. A survey completed by the Association of Independent Hospitals last October estimated average bed occupancy of private hospitals at less than 65 per cent, compared with about 77 per cent in the NHS. According to Mr John Randle, the association's secretary, a hospital needs 70 per cent occupancy to be viable.

However, Mr Randle concedes that there is no evidence of unprofitable hospitals closing down or selling at a loss. Rather a shakeout is in progress, with large — mostly American — commercial operators trading on the strength of the dollar against the pound and paying out huge sums of money for established facilities in a battle for dominance in a limited market.

Leading the field is the American-owned AMI Hospitals, which now has 12 hospitals with a £70m UK turnover. AMI recently acquired London's Portland Hospital for Women and Children for £13.5m which, according to the home-based vendors, the Hospital Capital Corporation, is the highest price per bed ever paid for a UK hospital. AMI has one further acquisition on the horizon and is keen to hear from other would-be vendors.

On the building front, planning permisison has been sought for a new site at Newcastle and the company has feelers out for further developments in the North-East and the West country. At the same time, AMI is constantly striving to expand the base of its operations — and attract non-insured customers—with developments such as day surgery facilities, screening and sports medicine clinics, alcoholism and psychiatric care programmes — and even credit facilities.

"We take a much more bullish view of the market than most of our competitors because we are seeing a growth in demand for our facilities," development director Mr Humphrey Nicholls states. Average occupancy levels are running at over 65 per cent, with lower rates at new hospitals like the Blackheath balanced by higher usage of more established facilities like the Harley Street Clinic.

AMI admits that there are more beds than patients at the moment — particularly in London — but is confident that supply will stimulate demand. "In our experience, providing good facilities expands the market and makes more people interested in private medicine," says marketing director Mr John Cassell. "We have long investment programmes and are happy to cater for future demand."

A new entrant to the British market is National Medical Enterprises, the second largest health care oragnisation in the U.S., which is paying out £11.45m in cash to acquire two hospitals—one under construction—and two development sites from the British-owned United Medical Enterprises UME, itself a relative newcomer to the private hospital market, plans to use the cash to move into the less competitive arena of nursing homes for the elderly.

NME intends to use its acquisitions as a base for expansion into Britain and Europe. Mr Judd Osten, vice-president of NME's international group, says: "We feel the UK market offers very good long-term growth opportunities. We realise there are some areas that are over-supplied, but the private care system has not expanded uniformly in this country and we will be looking at areas which still offer opportunities for acute care services."

One British company which is actively looking for expansion is GM Health Care, a wholly-owned Grand Metropolitan subsidiary, which claims to be the only British self-financing hospital owner and operator. GM claims its three small hospitals in Worthing, Bath and Basingstoke are operating profitably, the company is spending around £2.5m on a new 36-bed unit in Bromsgrove, due to open this spring, and an acquisition is planned for later in the year. According to managing director Mr Richard

Under-supplied

White several further developments are under consideration.

"There are pockets of oversupply, but we have focused our attention on provincial areas which have traditionally been under-supplied. Before we commit ourselves to any project, we go into a year's analysis of the needs of the local population—and the workloads of local consultants, and our facilities are constructed to be successful in terms of patient care and financial performance." GM is also looking at the feasibility of taking private care to the elderly in their own homes and introducing other forms of preventive care.

A more cautious view is taken by the Hospital Corporation of America, the world's biggest hospital company. When its new 44-bed unit in Worcester opens next January, HCA will have eight hospitals in Britain—including the large 100-bed Chalybeate Hospital in Southampton. With one unit operating at a loss, and average occupancy in its "mature" hospitals running at 65 per cent, the company is playing a waiting game.

"We don't have any further plans at the moment," says Mr David Egee, assistant vice-president for development. "Everyone believed the market was going to grow faster than it has, so we are going to be less aggressive than other operators and wait to see what happens with the market now."

BUPA Hospitals, by contrast, is in an expansionist mood, but is less interested in green field development than in acquisition of, and investment in, standing facilities. With 11 hospitals in operation and a twelfth under construction in Dublin, BUPA now has a £65m plus investment in private hospitals—including contributions to other hospitals—and claims that business is thriving.

"We have opened three hospitals a year for the past three years," says executive director of BUPA Hospitals, Mr Mike Smith. "We feel that the main thrust of building new hospitals on green fields is over. Now we are concerned with upgrading and acquisitions."

However, BUPA is openly worried about the prospect of U.S. commercial operators setting up pricey facilities beyond the reach of the insured population.

A couple of years ago, there was much concern about the escalating accommodation rates charged by some commercial operators. This is less of a problem today, when fierce competition for custom has forced many hospitals to hold their charges or raise them only slightly over the past year. Some operators, notably AMI and Nuffield, are offering fixed price package deals for operations, to tempt the uninsured into using their facilities.

Others, like the prestigious Cromwell Hospital in West London, have been forced to drop charges for insured patients, who would otherwise have to pay a surplus.

The inability of hospitals to compensate for low occupancy with high prices is likely to hasten the demise of small-scale operators without much investment money to call on. The fear is that whichever of the more monied concerns gains a clear dominance over the market will be able to dictate the pace on prices and push them through the roof.

Private Health Care 3

British products are popular abroad says **Raymond Snoddy**

Export success for specialist companies

WATKINS & WATSON is a well-established firm of church organ blower manufacturers whose products can be found in most of Britain's cathedrals and half of its parish churches. It is a tradition that has brought the company an international reputation in an unexpected area—health care.

For Watkins & Watson, through a separate medical subsidiary Mediscus Products, has sold special air beds to 33 countries for the prevention and cure of pressure sores.

The link between organs and pressure sores is the ability to provide "quiet air" under pressure.

Mediscus is an example of the growing success in international markets of the British health care industry.

It is a success that few outside the industry are aware of—partly because many of the companies are small and specialised.

Mr David Pollington, director general of the British Health-Care Export Council which represents about 250 companies, suggests that exports of equipment from putting together completely "packaged" hospitals to winning management contracts in the developing countries account for more than £1,000m a year.

Big rise

In 1983, the last year for which figures are available, equipment exports alone accounted for £411m—a rise of 17.8 per cent on the year—and a huge rise on the 1975 performance of £126m.

"Health care has outperformed the rest of industry as a whole," says Mr Pollington. Europe has also become a much more important market for the health care equipment companies, he believes. Overall, Britain, Mr Pollington points out, offers a comprehensive health care package that few countries other than the U.S. can match.

British companies take on everything from design engineering and construction of hospitals and clinics, to the provision of health facilities and equipment and the medical staff and management to run them.

Equipment for the disabled is one area where Britain has a good reputation. Apart from companies like Mediscus, artificial limbs from companies such as J. E. Hanger and Hugh Steeper clustered around the Roehampton limb fitting centre are considered to be equal to the best in the world.

Companies such as Possum of Slough have used advanced technology to ensure that people so badly disabled that they only suck and blow on a tube can control their environment and even operate word processors.

British strength in microelectronics is also starting to result in direct benefits for the sick and disabled.

The BBC Micro, produced by Acorn, is being used for research into computer-controlled muscle movement at the Edenhall Hospital in Soctland. The project is examining how computers can mimic the body's nervous system with the longer term hope of helping paralysed people to walk.

At the other end of the scale British-owned companies such as Picker International are at the forefront of revolutionary body scanning technology such as the Magnetic Resonance Imaging (MRI) system.

Mr David Pollington believes that growing British success in health care exports is based on three solid foundations.

- The industry developed initially to supply the National Health Service, which although it is facing serious budgetary constraints, has still a worldwide reputation.
- As a result of the NHS tradition Britain has national standards on health care equipment which encourage high quality.
- A tradition of distinguished medical research in Britain's universities.

Exports of equipment are the easiest to measure but British expertise has been growing in the art of "packaging" offering all the equipment needed to operate a new hospital.

During the Falklands crisis, the work-force of Mediscus Products refurbished an old bed in their free time. The bed was given to the Queen Elizabeth Hospital at Woolwich. Four Mediscus beds were already installed

Network

"What we have is a network of people who can work together," Mr Pollington said.

One of the leading British companies in the packaging field is Shanning International, a company set up ten years ago which has put together complete equipment packages for hospitals in the Middle East, West Africa, South America and South East Asia.

In 1981, for example Shanning was responsible for the complete equipping of the As Salam Hospital in Egypt. Its other contracts have included a £5m deal to equip 264 clinics in Nigeria.

In October, Shanning established a permanent presence in Malaysia for the first time after being appointed as group consultants to the Sarawak Economic Development Corporation for the $30m Normah Memorial Medical Centre.

Shanning will be responsible for such things as medical planning, equipment consultancy, project management and the provision of key personnel.

The management of large new hospitals particularly in the Middle East has provided significant business for British companies — the two largest in the field are International Aeradio (part of STC) and United Medical Enterprises, a subsidiary of London and Northern Securities.

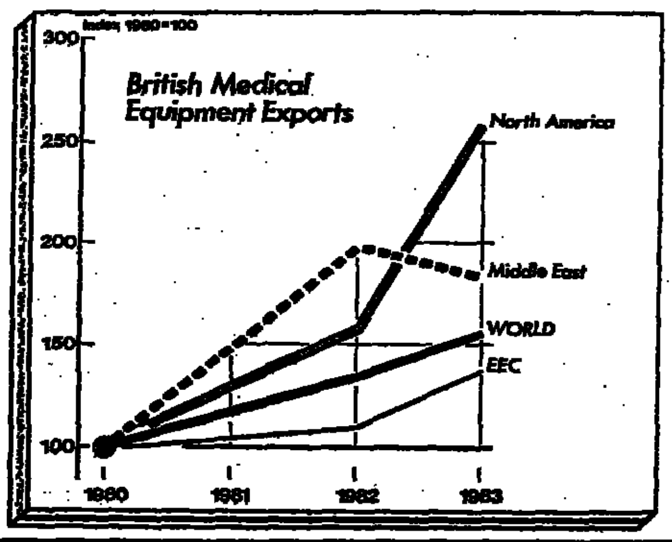
One of the largest projects undertaken by IAL through its associate company International Hospital Group involved the 500-bed Saudi National Guard Hospital near Jeddah. The company was responsible for the commissioning of the plant and now looks after the maintenance, supplies and recruitment of medical, technical and administrative staff for the hospital.

IAL Medical Services was recently awarded a £9m three-year maintenance contract at the King Hussein Medical Centre in Amman for the medical services of the Royal Jordanian Army.

IAL's success has been more than matched by that of United Medical Enterprises. The company which had a turnover of £60m and profits of £10m in 1983 (the last period when results are available) has recently won four management contracts in Saudi Arabia from Whittaker, the U.S. health care group. But for all Britain's hospital management companies some of the biggest opportunities may be just coming up.

The Saudis may be putting out tenders for management contracts for as many as 70 hospitals, either built or about to be built — with six or seven being placed this year. The contracts are expected to be worth a total of more than $200m over three years.

Both IAL and UME will be tendering, but in an indication of how internationally competitive the whole business is becoming the first three contracts to go to tender were won by GTZ, the West German company.



Carla Rapoport highlights modest moves towards co-operation between the UK's National Health Service and the private health care sector.

More joint ventures between sectors

AFTER A NUMBER of years in which the issue has been little more than a political football, co-operation between Britain's National Health Service and the private health care sector is now beginning.

Moderation of political hostilities is not, however, behind the new spirit of co-operation.

Economic realities have been responsible for bringing the two sides together.

Within the NHS, the Government's campaign for more efficient management techniques, plus its less generous aproach to the NHS budget, has created a more commercial spirit among managers. They are now working with their suppliers in order to cut costs and maximise their buying power. These talks, in turn, are beginning to yield some exciting medical joint ventures between the private and public sectors.

In the private sector, the recent spurt of private hospital building has led to over-provision of beds in some areas of the country. Schemes to "sell" these surplus beds at favourable rates to the NHS have consequently found favour with a number of private hospital chains.

"It has taken a while for the momentum to build up," says Mr Brian Edwards, general manager of Trent Regional Health Authority, "but the idea of working with the private sector to help cut costs is now up and running."

The new sorts of joint-ventures between private and public include the following:

- Britain's first Community rental centre, an out-patient facility which allows kidney patients to undergo dialysis at their convenience, is being built for NHS patients in Bangor, Wales, by Travenol Laboratories. Travenol will staff and manage the facility and charge the NHS per patient. A contract for a similar facility in Trent is expected to be signed this month.
- Elderly NHS patients in Newcastle-upon-Type are undergoing hip replacement surgery at a Nuffield Hospital as part of an initial six-month contract. The NHS is paying £1,500 per patient; Nuffield's own price for hip replacement surgery is £2,870. The current waiting period of hip replacements is between two to three years for NHS patients.
- At Stockton in Cleveland, another Nuffield hospital is treating six children a week from NHS waiting lists requiring tonsilectomies.
- At the Mount Vernon Hospital in Hillingdon, West London, a private company has installed a unit for mixing highly toxic anti-cancer drugs. This facility both protects inexperienced NHS nurses from contaminating themselves with the drugs, but allows the NHS to save money through the elimination of drug wastage. Other larger cancer centres, including the Royal Marsden, South London, are considering installing similar units.
- In Merseyside and Trent, regional health authorities are preparing to combine their purchasing requirements and rationalise their product ranges so that their medical equipment suppliers can increase output and offer keener prices.
- The Churchill Clinic in London is currently in talks with neighbouring NHS hospitals on the possibilities of sharing its nuclear magnetic resonance equipment.

Other examples are cropping up regularly, but not fast enough for those committed to expanding the NHS-private health care links. According to Mr Alan Barrell, a consultant to Travenol Laboratories, a great deal of patients are never referred to the NHS because their GPs know they will not be treated.

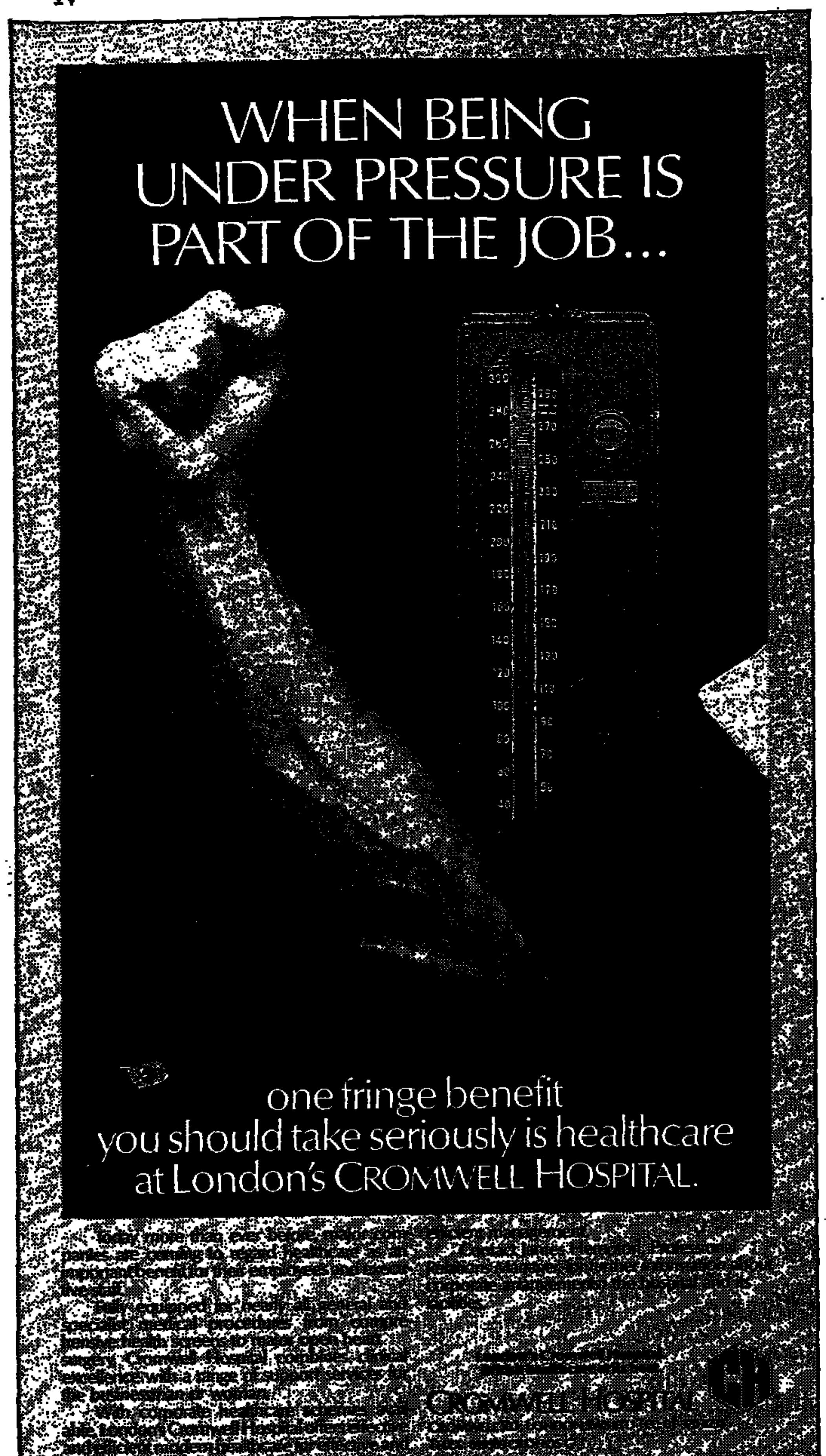
"Because the facilities are not there (for kidney failure), referrals are not made. But we have the resources if we can work together."

Professor Harry Keen, who holds the chair in human metabolism at Guy's Hospital in London, illustrates the problem more dramatically. He reckons that about 800 UK diabetics a year go into renal failure, of which 80 generally go into a renal support programme. The rest die. "It has been a traditional attitude. We have really folded our hands."

"Most doctors haven't squared up to the fact that we need help. We haven't yet abandoned the hope that the NHS should do what it is meant to do," he says.

Professor Keen adds, however, that a growing private health care sector could become an unwanted rival to the NHS. According to Mr David Bolt, former chairman of the Committee for Hospital Medical Services, which negotiates with the Government on behalf of UK consultants, doctors would become worried if the share of health care provided by the private sector were to exceed 20 per cent of the total.

The room for expanding links between private health care and the NHS is, nevertheless, large. Mr Oliver Rowell, general manager of Nuffield Hospitals says: "I would like to see a corporate plan for each health district where managers of the NHS and the private sector discuss the area's requirements for the next five years. I do not think this is just a pious hope; it is a dream that must become a reality."



Isabel Walker reports on the economic strains on different operators

Spiralling costs hamper expansion

THE BOOM years of private health insurance, 1979 to 1981, when the major insurers extended their schemes to a whole new market of blue collar workers, gave rise to an unwise prediction that 12m people would be covered by 1985.

In fact, given an estimated growth in business of 5 per cent last year, cover has reached fewer than 5m people to date, and nobody talks of growth in terms of millions anymore.

With schemes now on offer from at least 16 suppliers in the £470m a year market, the provident associations remain firmly in control of well over 90 per cent of the business. BUPA holds the lion's share, covering more than 3m people; PPP, the nearest competitor, covers about a million, while WPA covers more than 350,000.

Of the commercial carriers of health insurance, Crusader is the most active, with 150,000 people covered. About two-thirds of all business comes from company arrangements—including special voluntary groups where employees pay their own premiums and the remainder from individuals.

Targeting

Over the past three years, the major insurers have been hampered in their drive to attract new business by heavy subscription rises forced by spiralling hospital costs and a high rate of claims. Premium rises so far this year are still ahead of general inflation: BUPA raised subscriptions by between 7 and 15 per cent last month, while PPP introduced average increases of 9 to 11 per cent; and further reviews are due in the summer.

However, both of the market leaders are actively seeking to contain costs by targeting their schemes more precisely.

BUPA's main contribution to cost containment was an agreement, in force since last May, with the great majority of private acute hospitals that subscribers with appropriate scales of cover would be treated within a pre-determined range of charges—excluding consultants' fees—which would be fixed for up to a year at a time.

At the same time, PPP launched a new Corporate Health Plan, enabling employers to limit some staff cover to cheaper grades of hospitals, so reducing the overall cost of claims.

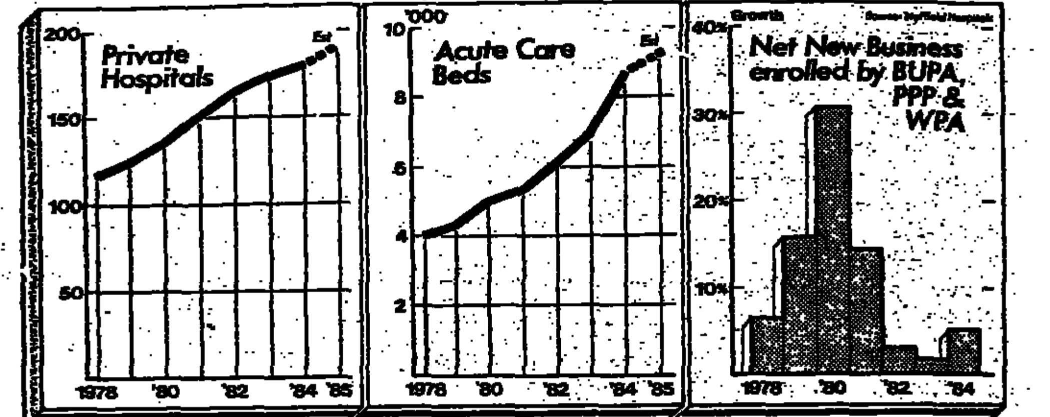
PPP has also been innovative in introducing low-cost, limited cover insurance packages, which many people see as the way ahead for health insurance. Its Private Hospital and Retirement Health Plans provide for private hospital treatment only when the wait for local NHS treatment would exceed six weeks. "Under these plans, people can use private treatment as a sensible option rather than an automatic alternative," said Mr George Maskell, a representative of PPP.

Increases

BUPA is scornful of such methods: "All they are doing is controlling their risk," said Mr Roy Clarke, executive director of health insurance, "which will utimately lead to customer dissatisfaction." BUPA is now rejoicing over the return to the fold of a considerable amount of company business which was lost a couple of years ago to commercial operators offering temptingly low premiums.

"Some of these operators have since put on swingeing increases," said Mr Clarke, "and companies have realised that we had our sums right. Our growth in company-paid business is now as high as 10 per cent."

The commercial insurers, including Crown Life, Mutual of Omaha, Orion and the Iron Trades, control eight to 10 per cent of the market — mostly company business. The sector has grown rapidly in the last few years; some now anticipating a shake-out in the number of companies in the field.



Crusader Healthcare, which has 5,000 individual subscribers, has dropped its 30 per cent discount scheme for life insurance policyholders and is taking a cautious approach to further expansion with individuals and voluntary groups.

"Medical insurance in the UK is very volatile," said Mr Laurie Edmans, assistant general manager of the employee benefits division, "and it is difficult to predict long-term profitability with more and more sophisticated and costly procedures available in the private sector and with people increasingly inclined to go private as a first resort."

Crusader also had its fingers badly burned by the acquisition a few years ago of large, high-user voluntary groups, on which it has yet to make a profit.

Choosing health insurance

Choosing health insurance

WHEN CHOOSING a health insurance scheme, it is easy to be seduced by low premiums, but these are usually accompanied by low benefits. The Bedford-based Provincial Hospital Services Association, for example, quotes annual subscriptions as low as £78 for a subscriber with two or more dependants. However, it limits maximum annual benefit to £2,500 and excludes from cover such procedures as abortion, sterilisation, and hip joint surgery.

PPP's Family Masterplan 1 scheme looks pricey with a monthly premium of £85 for a married couple in their 30s with two children, but it covers accommodation at the most luxurious private hospitals and test tube baby treatment at £1,600 a time.

The important thing is to decide what your needs are and where you want to be treated and then gear cover accordingly. And remember that quoted premiums are often only a basis for negotiations, since substantial discounts are available from most insurers.

Carla Rapoport assesses the rise of self-insurance schemes

Trend to do-it-yourself cover

WANT TO buy a cheaper health insurance policy? This is an offer which has been made all too often in the health insurance field over the past few years.

The rules of the game have suddenly changed again, however. Just when the market leaders have reined in their costs and slowed premium increases in an attempt to woo back customers, a new kind of threat has emerged.

Self-insurance, a kind of do-it-yourself health insurance programme is now under development by a host of employee benefit consultants in co-operation with some of the larger UK hospital chains. Under such arrangements, companies can administer and monitor their own health insurance schemes, with benefits tailor-made for their work-force.

The impetus is not simply the saving of money. Employers are also beginning to look to the new schemes as a means to exert some control over the way their health care budget is spent.

"There is a big need to unbundle the traditional insurance contract, in order to get at the administration element, the claims element, and the profit element. And profits are not necessarily the big item," says Mr Lawrence Purchase of Hogg Robinson Employee systems.

Disease

Mr Jim Mills-Webb at AMI, the hospital chain, sees the problem in a different light: "The conventional health insurance scheme is simply a licence to spend the company's money. And even then, the employer gets a bad deal." AMI is setting up its own health insurance business, Amicare, with an eye on the growth in self-insurance schemes.

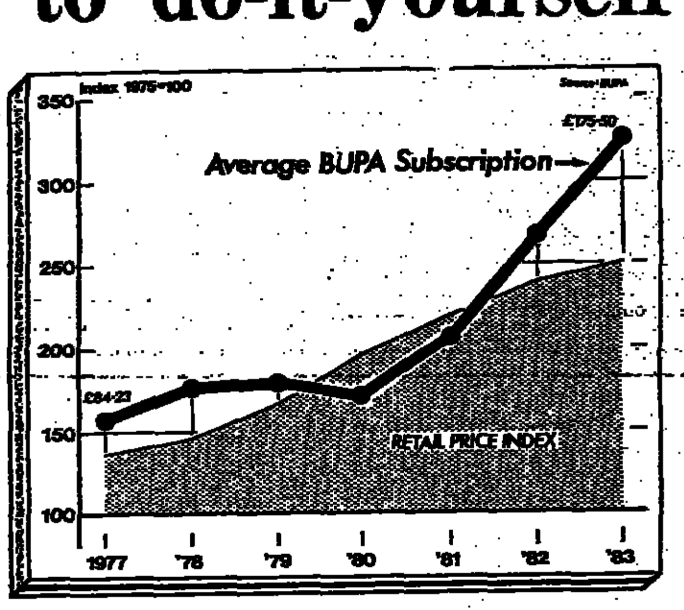
Equally important to the growing number of companies exploring self-insurance, however, is the goal of improving their employees' health. "The big provident associations are holding the total health care picture of a company. We think companies should have a means of looking at that picture themselves and of helping to keep their people healthier," says Pamela Williams of Medisure, a young health care consultancy group.

For example, the proponents of do-it-yourself schemes point out, if the rates of respiratory disease in a production unit began to climb rapidly, the conventional health insurance provider would not be able to alert the company or its workers to this or similar trends.

Furthermore, some companies may choose to pay for more preventive health care, such as screening and annual check-ups, and opt out of covering employees for major operations which could be handled by the NHS. Currently such tailor-made schemes do not exist with the big health insurance market-leaders.

But to Mr Jeremy Clegg of Mercer-MPA, one of the largest employee benefits groups in the UK, the issue is still mainly one of cost. "There is no insurance element in the Bupa or PPP schemes. They are strictly cost-plus. That is, 80 per cent of your premium covers your claims and 25 per cent covers administration." The extra 5 per cent, he says, is the money the providents earn on investing their premium income.

Mr Purchase agrees: "Why



don't the big insurers offer flexible, creative schemes? It is because they have a vested interest in paying out claims. They get their profit on their volume of claims." Following his analysis of a number of companies' experience with health insurers, he found that some employers were paying an £8 administration charge per cheque written by their insurer.

Mr David Lock, managing director of PPP, fiercely rejects the notion that the provident associations overspend on administration. In the case of PPP, he says, 90 per cent of premiums are paid out in claims. The remaining 10 per cent is split equally between administration and marketing.

None the less, Mr Lock sees self-insurance as a definite trend. Mr Oliver Rowell at Nuffield Hospitals also sees a growth in tailor-made health insurance schemes, a trend which he believes may add some new business to the sector.

Currently, however, the self-insurance market is a tiny one, largely because of the somewhat hazy attitude toward the schemes from the Treasury. Currently, no general rules exist on the tax treatment of the schemes and each new programme must be reviewed by the Inland Revenue individually.

Administrative

Where the provident associations are concerned, the revenue regards the taxable, employee benefit as the premium paid to the insurer. In a self-insured scheme, there is no insurer and no premium as such. As a result, some fear that Revenue could treat the whole benefit, such as £2,000 for an operation, as fair game for taxation.

Pamela Williams says the problem is less thorny than some companies believe "Somerset House is concerned about what else a company might use the insurance scheme for; they are being careful and cautious. Each individual case is currently judged on its merits because the Revenue is worried about unleashing something it cannot, in later years, control."

MPA, which has devised schemes for eight large clients, including the Bank of America, says the Revenue problems can be surmounted without excessive bother."

Self-insurance schemes can be set up a number of different ways. Some consultancies will take on the administrative aspects for their self-insured client, others will set up an in-house administration network.

Some schemes are tied into a specific hospital chain or insurance group. Other consultancy groups encourage their clients to shop around.

Consultants stress that they are willing to set up schemes with BUPA or PPP. In these the administration element is handled separately.

As for the insurance side of the business, companies can consider setting up their own captive insurance company, although, again the position the Revenue might adopt on captives is not clear. Most employee benefit groups offer their own insurance package, tailor-made for the client.

Rapid growth in self insurance is not expected for a few years yet. Decisions on health benefits are generally taken within companies by a top executive who is used to the idea of dealing with one of the provident associations.

But some of Britain's largest corporations are now seriously considering the new route and this year should see some major defections from the ranks of the provident associations. More importantly for the sector, the new schemes are likely to bring some welcome new business into the field.

Results of the leading Health Maintenance Organisations

Name	No. of health plans	enrolment	1984 revenue $m	1983 revenue $m	Per cent change on year	Results of some HMOs: 1984 earnings per share	1983 earnings per share	Per cent change on year	High-Low range	Initial offering date	Initial offering price $	31/1/85 quote	Shares outstanding
Maxicare Health Plans	11	450,000	317.0	197.0	+ 60.9	0.65	0.35	+ 85.7	28¼-11½	8/83	16.00	27½	16,700
Healthamerica	28	403,000	182.0*	104.0	+ 75.0	0.65*	0.26	+130.8	50½-14	7/83	6.40	18⅞	22,300
U.S. Health Care System	4	390,000	206.0	96.0	+114.6	0.76	0.25	+204.0	62-15¾	2/83	5.93	25(a)	14,000
United Healthcare	18	330,000	13.0	7.6	+ 71.1	0.20	0.15	+ 33.3	6-3½	10/84	4.50	6½	6,400
Independence Health Care	1	110,000	75.0*	37.0	+102.7	1.33*	0.65	+104.6	35-12¼	10/83	13.00	23⅞	3,818
HMO of America	1	90,000	40.0*	0.02	n.m.	0.43*	−0.02	n.m.	16½-8¾	8/84	10.00	13	6,480
Peak Health Care	4	45,000	26.0*	18.0	+ 44.4	0.70*	0.35	+100.0	25-9¼	11/83	10.00	14¾	4,370
Healthgroup International	1	12,000	8.0	0.4	+190.0	−0.44	−1.80	n.m.	6¼-2¼	9/83	4.00	4½	1,970

(a) Reflects a 3 for 2 stock split as of 31/1/85
* Estimated

Source: Rivka Nachoma

Terry Byland looks at the rise of Health Maintenance Organisations in the U.S.

Wall Street's growth area

THERE IS something essentially American in the concept of publicly-quoted, profit-seeking medical care corporations, which raise money on the stock market and issue prospectuses and earnings reports.

The post-1979 recession in the U.S., together with the shift in social and political attitudes towards welfare under the Reagan Administration, have brought about dramatic changes, however, in the U.S. private medical scene. New times have produced new types of corporations aimed at the lucrative industry which U.S. medical care had long since become.

Prime among them have been the health maintenance organisations, or HMOs which from small beginnings barely two years ago, have become a major growth area on Wall Street. The HMOs, now numbering around 380, invite people, or, in the case of business corporations, employers, to pay a prescribed monthly sum, for which they can receive treatment when required at no further cost.

They are mostly housed in central clinics, where staff doctors draw a salary or work under contract. The whole operation is tightly managed, and neither the doctors nor the patients have much opportunity or encouragement to run the bills higher than necessary.

The newcomers now provide health care for around 16m Americans, contrasting with the 150m or so who are still covered by the more conventional systems which essentially provide insurance cover against bills to be paid when treatment is received.

HMO members hip has grown from a nalmost standing start, and this is reflected in the outstanding growth rates of the quoted HMO companies. Bearing in mind that the first HMO to seek public quotation only raised its head in February 1983, aggregate enrolment growth for the industry of 290 per cent over the past decade must be seen in context.

However, enrolment growth of around 25 per cent for the rest of the decade is an accepted yardstick on Wall Street which finds the sector increasingly attractive.

Nor has the field been left entirely to newcomers. Many of the conventional health care insurers themselves, notably Prudential Insurance and Signa, have invested in HMO facilities. And since the beginning of this month, HMO are permitted to seek new clients among the 28m elderly Americans, who represent an increasingly important political and economic pressure group as the country's average age moves higher.

Attack on costs

A major reason for the success of the HMOs has been their attack on the surge in medical costs which was undermining the U.S. private health industry. In a country where the wealth of doctors is a proverbial if not entirely justified, subject for merriment, medical costs were a prime target for attack not only by the politicos but also by the major business corporations.

The recession and industrial bankruptcies of 1979-1982 uncovered many examples of crippling health costs in, for example the motor or steel industries, where management and unions had regarded generous medical benefits as a soft option throughout the boom years. Unfortunately, neither the corporation executives, the unions or anybody else seemed to have much control over the bills turned out by the doctors and the patients.

Significantly, U.S. business was in the first ranks of the HMO supporters. Setting aside Kaiser Steel, which created the first HMO 30 years ago, the list of business corporations to set up HMOs of their own now includes such names as Ford Motor, R. J. Reynolds and John Deere. Corporate America claims substantial savings on health costs through its own HMOs.

But HMOs have proved highly popular with the workforce as well as the employers. Most industrial HMOs offer wider care than the older, health insurance schemes. Immunisations and child care have been notable new features which had been largely ignored by the convential medical insurers.

HMOs stress preventive care, which has always been the weak spot in both private and state medical schemes. The HMO operator has almost a built-in emphasis on early diagnosis and treatment, because it is usually cheaper. But at the same time, the salaried doctor, working for a profit-seeking business, has no incentive to encourage malingerers, even if the employer is paying part of the regular monthly per capita charge on the members.

Indeed, the HMOs are usually organised in such a way as to encourage and reward both doctors and patients for keeping the costs down. Doctors can be awarded bonuses for achieving pre-set cost ratios, or presumably, punished for failing to do so. Since they are employed by the HMO, the physicians can even be obliged to pursue management cost policies—a significant change from the days when the doctor's word was law.

And patients can be encouraged along the path of cost-consciousness in more subtle ways. Many business corporations now pay workers a medical bonus payment—which can be eroded during the year only by the size of the medical bills charged by the worker and his family. Again, a neat way of avoiding the charges of blatant abuse of medical treatment which used to feature in the annual wage negotiations at some of the old smokestack industries.

Ready reception

The pressure to keep medical costs down has found a surprisingly ready reception among patients in the U.S., who have always been keenly aware of the cost of medical care. But a major encouragement has come from the federal authorities, through the change in Medicare charges for the elderly.

The Medicare rules were changed two years ago to set fixed prices for a wide range of operations or treatments, as a fairly brutal way of forcing hospitals to hold their costs down to the average. The new system, which was intended to encourage the most efficient hospitals and to punish the rest, has proved surprisingly successful—not least for the hospitals themselves.

Small wonder that the HMOs greeted with acclaim the Federal ruling allowing them to seek new clients among the host of Medicare members and potential patients. But there are already signs that the Medicare bonus may reveal some of the weaknesses rather than the strengths of the HMO system. For Medicare members, almost by definition, are heavy users of medical facilities, and their inclusion in the HMO lists will raise the old problem faced by all private medical care schemes. Since these schemes depend for profitability on a preponderance of semi-healthy members, how can they provide care for the permanently disabled, the chronically sick, the mentally sick and the poor, all of whom tend to be found more frequently in the older age groups?

Moreover, the very success of the HMOs has brought a more competitive edge to the industry. Not all the 28m Medicare elderly will join—or be allowed to join — the HMO network immediately. But the newcomers to the business need new patients, and present estimates are that anything up to 1m Medicare patients will be taken on to the industry's books within a few years. This will provide a major test of the private system, and also of corporate profitability.

Already there are signs that some of the more aggressive HMOs have overreached themselves in bidding for Medicare business from the state authorities. One major group found its agreed charge for caring for elderly disabled patients cut by 7 per cent after the local authority had cast an eye over the market.

If the HMOs, as the latest and brightest of the U.S. private health mechanism, can prove successful in caring for an ageing population, then they can expect to attract a chain of imitators in the European countries which face the similar problem of ageing workforces. But if they prove unsuccessful, the world outside the U.S. will be equally quick to take note.

PROFILE: OLIVER ROWELL

A realistic dreamer

IF THERE is one person in Britain who can rightly be described as having been thoroughly steeped in the private health care sector, it would have to be Oliver Rowell.

Rowell whose father Sir Andrew Rowell, was a founder of Bupa has been with that organisation or Nuffield Hospitals since the early 1950s, for the last 19 years as the Nuffield's general manager. Yet, despite this background Rowell, 53, remains a spirited critic of a great deal of his industry.

And he does not let his own organisation or track record out of the line of fire. Equipped with an almost evangelical fervour, he categorises his passions into what he calls his soap-box themes.

Currently, these include:

- Containment of health care costs so people are not scared away from private medicine.
- Appointment of an ombudsman/watchdog body to oversee the private health care sector, both to co-ordinate its growth and to monitor the quality of its services.
- The need for private health care to devise new methods for keeping people healthy, rather than exist as a plusher alternative to the NHS.

Unfortunately, while trying to lead the sector towards achieving these goals Rowell has also over the past few years been simultaneously engaged in a defensive battle on behalf of the Nuffield. Founded in 1957, the chain was the largest private hospital concern until late last year, when AMI, the American-owned hospital group, took over as the largest provider of private hospital beds in Britain.

Rowell does not mince words about what happened to the Nuffield. "We were over-conscious of the need 15-20 years ago to keep the cost of private treatment right down. As a result we did not allow ourselves the chance to develop in-house capital. I wonder if we were not running scared," he says reflectively.

"We might have risked increasing the charges and built more hospitals ... if by the mid-1970s we had 51 hospitals, and not 21, we probably would have kept all these American (hospital) concerns out of the country. I am really criticising myself on this. We left the way open," he says.

In-house capital

Rowell realised the strategic error about five years ago and launched the group on an ambitious building and refurbishment programme. Unfortunately, the move came a little too late. By 1983, the number of patients treated by the Nuffield slipped into reverse for the first time in 20 years. Occupancy levels slipped from 75 per cent to 71.7 per cent; and the year's surplus shrank from £2.6m to £0.9m. Results for 1984 will be even grimmer.

Oliver Rowell, general manager of Nuffield Hospitals: spirited critic with a dash of evangelical fervour

Rowell has now cranked up a marketing operation for the group, appointing the group's first marketing director and two regional directors of marketing. The group's new consultants advised a name change, from the Nuffield Nursing Homes Trust, to Nuffield Hospitals. The new name emphasises that the group is not connected with the Nuffield Foundation and is not a string of nursing homes.

For the first time, the group went to its bankers in 1983 and borrowed £15m to upgrade its hospitals in a three-year, £30m capital investment programme. Resident medical officers have been installed in all the Nuffield Hospitals, with new diagnostic special and surgical equipment also being added to the facilities. Promotional efforts, geared to the medical community, have been stepped up around the country.

Will it work "Yes, to the extent that we will definitely survive. We don't have shareholders or dividends to pay. You might see us shutting down a hospital or two in areas of high competition, but it would be totally wrong to throw in the sponge or start spending millions on marketing to win the day," says Rowell.

As harsh as he is about his own company, he reserves a fair amount of criticism for others in the sector. The large provident associations, he says, "spend far too much time scrapping over renewing business. They should be out there recruiting new business, not fighting over who gets ICI or the NFU."

Flexibility

He would like to see customers offered more flexible, specific plans. "We share a sadness that the medical insurers aren't really in the modern world and working alongside us."

"I think we (the private health sector) have got it all wrong. The growth in the number of hospitals is the wrong barometer. We want to keep people out of hospital. If new facilities are built, they should be different kinds of units, with more emphasis on preventive and screening facility," says Rowell.

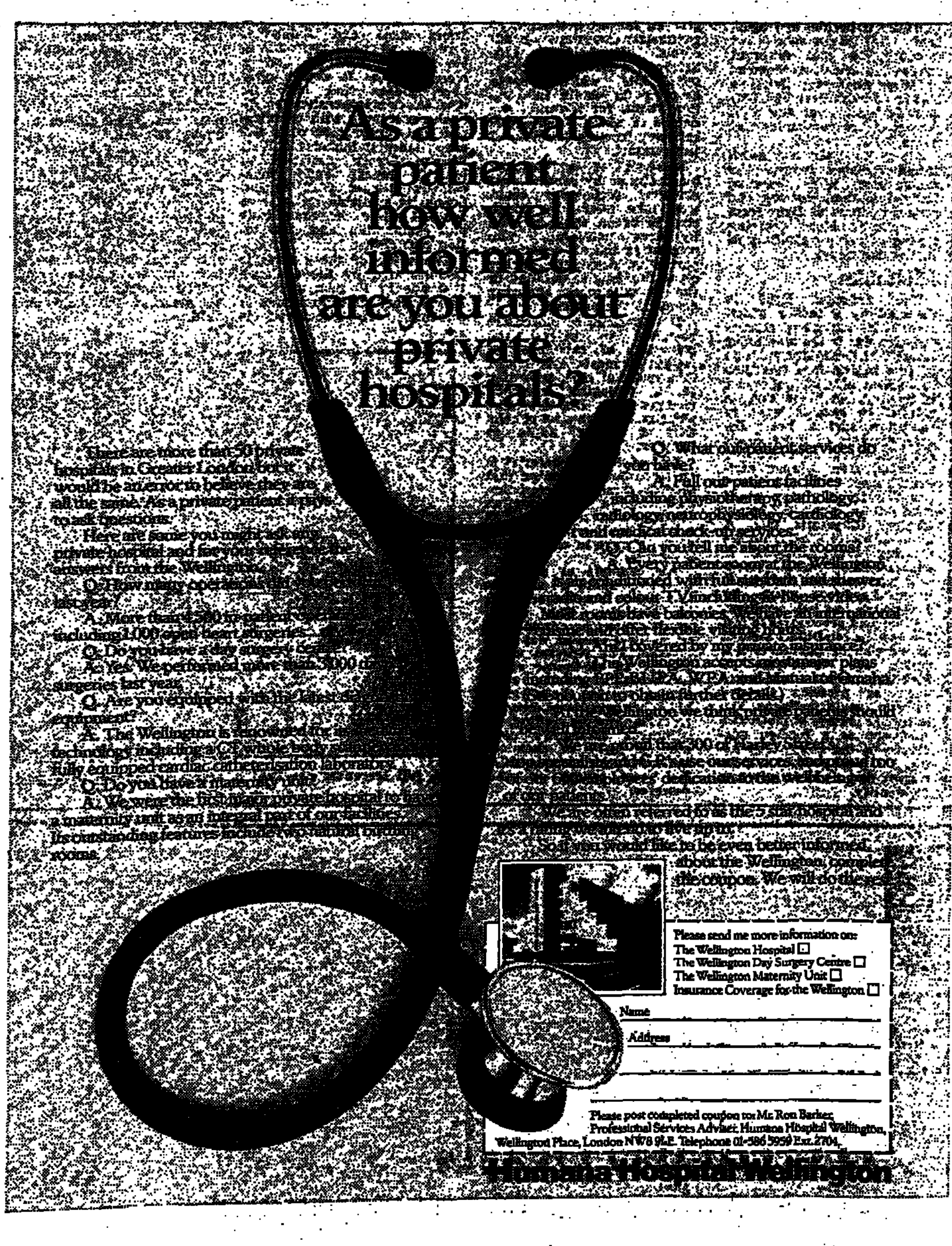
Other Rowell dreams include setting up a mechanism for co-operation with the NHS regional health districts. He has already launched a programme in Newcastle-upon-Tyne and Stockton in Cleveland, where surplus Nuffield beds are being "sold" to the NHS in order to treat people from long NHS waiting lists. More of these schemes are under consideration.

He is also hopeful that the sector may one day merge under a single trade association. The last effort failed by one vote in 1983, but Rowell continues to press for unification.

"In many ways, a disaster would concentrate the mind. We need to have one voice," he says. At the same time, he is pressing for the establishment of a watch-dog body over the sector, which could help monitor growth and standards of care.

Overall, however, Rowell remains upbeat: "We've got two difficult years ahead of us, with the sector jogging down a bit and our business being a little short of capital. But after that, we'll be back into an interesting expansion period."

Carla Rapoport



Racal Recorders' Store 14 DS tape recorder is helping new and vital research into child coma problems at Guy's Hospital.

Diagnostic techniques expanded

Peter Marsh on the growing armoury of tools available for pinpointing illnesses

AS MEDICAL science and technology advance, the range of non-invasive diagnostic techniques—as against those that involve entering the body in one form or another—is widening.

The armoury of tools for diagnosis fall generally into two categories depending on whether they use physical or biological mechanisms to measure changes in the condition of a human body. An important criterion in both cases is that the technique should aim to cause the minimum of disruption of the patient.

This is done not only to reduce discomfort and upheaval for the person being treated, but because invasive techniques—for example the examination of tissue removed from the body by surgery—are likely to be more costly.

Simple diagnostic methods that rely on the observation of physical changes include the monitoring of temperature, blood pressure or pulse. Similar conventional diagnostic techniques include radiating parts of the body with X-rays, or ultrasound, to find out, for example, about broken bones, or the condition of an embryo in the womb of a pregnant woman.

A promising procedure introduced in recent years involves the measurement of magnetic effects in the nuclei of certain atoms. Several companies around the world are selling machines called nuclear magnetic resonance (NMR) scanners that obtain images of the body's inner organs by observation of these effects.

In NMR, atoms are subjected to a magnetic field which perturbs them in a specific way. When the field is turned off, the atoms revert to their original state. This is accompanied by an emission of electrons which (when analysed by a computer) provides information about the atoms in question.

NMR scanners have been used in several areas of materials science—for example to spot defects in metal structures. In medicine, the machines normally measure the characteristics of hydrogen atoms. Signals obtained from these atoms differ according to the number of hydrogen nuclei present (which varies between different tissue) and the rate at which the atom's magnetism returns to normal (which indicates the physical characteristics of the tissue).

As a result, an NMR scan can give a 3-D picture of the body which can show up disorders in organs such as the brain, kidney and liver. A difficulty is to correlate the detail from the image with particular diseases such as cancer. Researchers are also extending NMR analysis to other atoms besides hydrogen, iron, or magnesium for instance, to gain different kinds of information. Siemens of West Germany, Britain's Picker (a subsidiary of GEC) and Technicare of the U.S. are among the companies that make NMR machines.

Other novel physical monitoring methods involve the use of lasers. With a burst of laser radiation, doctors can reflect photons of light from the cells in blood coursing through a vein or capillary of the human body.

Molecules

The reflected light is detected by a sensor which records its change in characteristics, due to the movement of the cell. Computer analysis of this information indicates the speed at which the cell is moving. As blood flow is related in specific ways to conditions such as heart disease, diabetes or acute shock (of the kind suffered, for example, after a road accident) monitoring of blood transfer in this way could turn out to be an extremely efficient diagnostic tool. A team of doctors at London's Charing Cross Hospital is experimenting with blood-flow measurement techniques using hardware made by Perimed, a Swedish company.

Biological procedures to test for certain conditions include application of immunoassays, which are techniques to identify certain substances such as proteins through their actions as antigens. The latter are clumps of molecules that act as a foreign substance in the body's chemistry. A typical antigen may be a virus that a physician wants to identify.

An exciting area of immunoassays concerns the function of monoclonal antibodies. These are specific types of very pure antibodies (natural substances produced by the body to fight disease) which attach themselves to specific antigens as part of the body's defence mechanism against infection.

Monoclonal antibodies, which can be produced relatively easily in laboratories by modern genetic-engineering techniques, can be made to latch on to specific kinds of cells that a physician wants to monitor. If the antibody is first labelled in some way (for example by making it from a radioactive isotope) then a doctor has an easy way of spotting the location and number of the antigen in question.

Centocor, a company in Philadelphia, has produced monoclonal antibodies that will detect certain kinds of cancer. Scientists are also attempting to make other kinds of antibodies that act as detecting agents for diseases such as hepatitis, or which warn of the rejection of organs in people who have received, for example, kidney transplants.

Poisoning

An area of great interest scientifically is the creation of "diagnostic kits"—specific reagents which, when mixed with blood samples, give an instant indication of particular conditions or ailments. Cambridge Life Sciences, a British company, sells kits which enable hospitals to obtain information about, for instance, the degree to which a patient is suffering from an overdose of paracetamol.

Analysis of a patient's blood stream by conventional chemical techniques could well take hours, by which time he or she could be dead by drug poisoning. The reagent in the kit contains a particular enzyme that latches on to the drug in question in the blood stream, changing colour in the process.

Development of biosensors promises to extend the principles of this kind of instant diagnosis. A biosensor is a material that, according to a biological reaction, changes in characteristics when mixed with a set of cells that a doctor wants to monitor.

Linked to this material is an electronic mechanism that records these characteristics, producing a representation (perhaps a figure displayed on a small liquid-crystal screen) of the change in condition of a patient.

An example of a useful biosensor would be a device to monitor blood-sugar levels in diabetics. The sensor would contain an enzyme that reacts in a specific way with glucose. The reaction would trigger an electronic effect, so flashing a warning to the person wearing the sensor if his or her sugar level diverged from an optimum reading.

Similar biosensors could monitor levels of chemicals in the body for patients suffering from cancer or other diseases.

Isabel Walker reports on the rise of screening centres

Prevention proves to be popular

PREVENTION of disease is the new religion in the medical profession. The major degenerative diseases which afflict Western societies, including heart disease, strokes and cancer are rarely curable, but they may be preventable if the early indicators and symptoms, such as high blood pressure, overweight and high levels of blood fat are spotted early enough.

These signs can best be picked up through regular health screening tests designed to show up any abnormalities in a range of functions and give doctors the opportunity to counsel patients about their lifestyles. Sadly, Britain's National Health Service is a sorry failure in this respect, since it concentrates on healing those who are already sick and has neither the time nor the resources to offer comprehensive screening on demand. Isolated screening measures, such as cervical smear tests for women, are provided on the NHS, but the great majority of screening tests are available only in the private sector.

Comprehensive

Private screening centres are now proliferating fast as members of the public become more aware of the need for prevention, as companies became more interested in safeguarding the health of their senior executives and as private hospital operators search for ways of putting expensive diagnostic equipment to good use and expanding their range of profitable activities. It is uneconomic for private health insurers to cover their subscribers for these extremely expensive check-ups, which are available, therefore, only to paying patients, although most insurers are able to arrange preferential rates for their clients.

BUPA Medical Centre is the largest and most experienced organisation providing comprehensive health screening, with regional centres in London, Birmingham, Bristol, Glasgow, Manchester and Nottingham, and further centres planned. A comprehensive male health screening with physical examination and consultation costs £162 and includes tests of hearing, vision, urine and lung function, measurement of height, weight and blood pressure, electrocardiogram, chest and abdominal X-rays where appropriate, blood fat estimation and a blood analysis to detect early liver, kidney and metabolic disease. Comprehensive female health screening with examination and consultation costs £20 extra, since it includes a Well Woman Screen designed to identify breast and gynaecological disease. Well Woman Screen is available on its own for £64 while the same tests plus examination and consultation cost £94.

The value of these tests is demonstrated by the evidence that one in 10 men attending BUPA's medical centres for full screening are discovered to need treatment for high blood pressure, while four out of every 1,000 women are found to have breast cancer. BUPA now screens more than 50,000 people a year, offering reduced fees for its own members.

BUPA's main rival, PPP offers screening from its central London Medical Centre, and claims to provide the most comprehensive range of tests in the UK. The organisation is opening a new screening centre at Chalybeate Hospital, Southampton in March and is likely to set up operations in other parts of the country in future. PPP's Executive Health Screen with examination and consultation costs £183, with reductions for PPP members and other "approved groups."

The woman's equivalent, including breast and gynaecological examination, costs £184 at standard rate. Less comprehensive screening tests are available to men and women at lower rates. PPP also provides a treadmill EGG screen, which assesses the body's response to exercise, tropical screening for those who live or work in overseas risk areas, dental and preconception screening, and immunisation programmes.

Many private hospitals and hospital groups have now also began to offer screening. AMI provides comprehensive screening for men and women at most of its 12 UK hospitals at £130 and £150 for full male and female screening respectively.

The Royal Masonic Hospital in West London offers moderately-priced full health checks for men and women at £98 and £118 respectively. The Hospital Corporation of America operates in-house programmes at Fulford Grange Hospital in Leeds and Fylde Coast Hospital in Blackpool. BUPA has established a screening service at HCA's Hartswood Hospital in Brentwood and PPP has been approached to set up a screening centre at the Solihull Parkway Hospital. GM Health Care, a Grand Metropolitan subsidiary, is also considering establishing screening centres in its private hospitals.

Fitness

Fitness testing is a logical extension of health screening, since regular exercise is now thought to help prevent high blood pressure, heart disease, obesity and arthritis and to help control such conditions if they are already established. BUPA's Fitness Assessment Unit is able to measure and monitor physical fitness through tests performed at rest and during exercise.

Advice is then given on how to improve fitness levels through appropriate forms of activity and sports. The assessment, which costs £118 for men and women and less than half that amount if tacked onto regular health screening, is also useful for top-level sportsmen and women, who can be helped towards higher levels of achievement in their chosen field.

A full screening check-up is being carried out at a BUPA clinic.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday February 13 1985

Data General forced to curb profit forecasts

BY TERRY BYLAND IN NEW YORK

DATA GENERAL, the big U.S. computer group, suffered an $11 slump to $61⅞ in its share price during morning trading yesterday after the company said earnings for the second quarter ending in March would be "substantially below Wall Street expectations."

The company added that profits may not exceed those of the second quarter of 1984, when profits were 55 cents a share, restated, on sales of $273.9m. The announcement wiped $260m off the company's market capitalisation in off-floor trading.

The share price fall came as IBM, the world's biggest computer manufacturer, sent further shock waves through the industry by launching its Sierra computer and cutting prices. IBM also confirmed it would be very difficult to show any earnings growth in the first quarter of 1985.

Trading in Data General, which is strong in digital and desk-top computers, was delayed on Wall Street after the board issued its warning.

But Jefferies, the major trading firm in the third market, where stocks are traded without recourse to the major trading floors, sold 500,000 Data General shares at between $56 and $65 a share, compared with the overnight price of $72⅞. Heavy selling continued when trading commenced on the New York Stock Exchange as the stock fell.

The profit warnings were a shock for investors, in view of Data General's success in this year's first quarter, when profits more than doubled as sales rose by 39 per cent. In fiscal 1984, the group earned $2.60 a share or $67.2m.

Other high-technology issues hurt by yesterday's developments included Digital Equipment, which is number two to IBM in data processing and which is suspending production of its Rainbow personal computer, and Honeywell, which rivals IBM in the mainframe market.

There was also renewed selling of IBM shares, which disclosed that the strength of the dollar is hurting earnings.

IBM opened $1⅞ down at $131⅞, extending the fall of $3⅞ in heavy trading on Monday. The company is a bellwether stock which is extensively held by both institutional and private investors in the U.S.

Last year, IBM earned $1.2bn, or $1.97 a share, in the first quarter and $6.6bn, or $10.77, for the full 12 months. But its stock fell sharply on Monday after the company warned some Wall Street analysts of the profits outlook.

Two U.S. television networks increase full-year earnings

BY PAUL TAYLOR IN NEW YORK

AMERICAN Broadcasting (ABC) and CBS, two of the biggest U.S. television network, entertainment and publishing groups, yesterday reported higher full-year net earnings, although CBS said fourth-quarter earnings fell reflecting the planned sale of its musical instruments business.

ABC reported fourth-quarter earnings of $52.4m, or $1.80 a share, compared with $49.6m, or $1.69, in the year-ago quarter on revenues which increased by 7 per cent to $932.3m from $871.3m.

The group, which in addition to its television network and TV stations owns radio stations, publishers magazines and books, and produces cable TV programming and films, said full-year net earnings increased by 18.2 per cent to $195.3m, or $6.71, from $159.8m, or $5.45. Revenues for the year increased to $3.71bn from $2.95bn.

In contrast CBS, which is in the midst of a major asset restructuring programme selling its musical instruments business, acquiring 12 Ziff-Davis consumer magazines for $362.5m and re-entering the cable TV business, said fourth-quarter earnings from continuing operations fell by 16 per cent to $66m, or $2.22, from $78.5m, or $2.65, in the year-ago period.

In the latest quarter a $900,000 loss from discontinued operations and a $29m loss on the disposal of discontinued operations made final net earnings of $36.1m, or $1.22 a share while in the year-ago quarter a $1.2m loss from discontinued operations resulted in final net earnings of $77.3m, or $2.61. Revenues in the fourth quarter increased to $1.42bn from $1.38bn a year earlier.

CBS blamed the earnings decline on the sale of its Fender Musical division, including Fender Musical Instruments, which was first announced in December.

For the full year the group, which is embroiled in the controversial General Westmoreland libel suit, reported net earnings from continuing operations of $244.9m, or $8.24 a share, a 28 per cent increase over the $191m, or $6.44, in earnings from continuing operations reported in 1983.

Discontinued operations accounted for a $49.1m loss and a $16.4m extraordinary gain on the sale of land made final net earnings of $212.4m, or $7.15, compared with final net earnings of $187.2m, or $6.31, in 1983 after a $3.8m loss on discontinued operations. Revenues last year increased to $4.92bn from $4.4bn a year earlier.

Helms puts new pressure on CBS

BY TERRY DODSWORTH IN NEW YORK

FAIRNESS in Media, the right-wing pressure group led by Mr Jesse Helms, the North Carolina Senator, is considering a proxy campaign to elect "one or two directors" to the board of CBS, the U.S. broadcasting company.

The disclosure, made in a filing with the Securities and Exchange Commission (SEC) – the U.S. stock exchange regulatory body – gives a further indication of the seriousness of Mr Helms's threat to try to take control of CBS. Only last month, Fairness in Media began soliciting financial assistance for a campaign against the broadcasting company, which it accused of "liberal bias."

In the SEC filing, Fairness in Media said that it might solicit proxies to adopt unspecified shareholder resolutions at the company's annual meeting. It added that it had begun preliminary discussions with unidentified third parties concerning possible transactions to seek control of the company.

The company has a market capitalisation of about $2.3bn.

Icahn revises bid for Phillips

By Our Financial Staff

MR CARL ICAHN, the Wall Street financier, yesterday revised the terms of his tender offer for Phillips Petroleum, the ninth largest U.S. oil group, to $60 cash for 70m of the group's 155m outstanding shares.

The offer, if successful, would give him more than 50 per cent of the stock but is conditional on, among other things, the elimination of the company's "poison pill" defensive move.

The offer would be followed by a merger or other business combination proposal under which remaining shareholders would receive securities valued at $50 a share, he said.

The revised offer had been made in light of disclosures in supplemental proxy material from Phillips, Mr Icahn said.

To facilitate elimination by redemption, or otherwise, of the "poison pill" note purchase rights, Mr Icahn said he intended to seek consents to elect a board of directors which would redeem the deterrent mechanism immediately before his purchase under the terms of the offer.

Last week Mr Icahn said he would lift his initial tender offer to $57 a share for 25 per cent of the group, costing $2.2bn. Phillips had rejected his earlier bid

Sharp setback for Occidental Petroleum

By Our Financial Staff

OCCIDENTAL PETROLEUM, the 10th largest U.S. oil company, suffered a decline in both net profits and sales in the fourth quarter. Profits fell to $184.2m, or $1.17 a share, from $246m, or $1.76, on sales of $4bn against $4.7bn.

A $135m gain for the sale of geothermal operations is included in the profit figure. The year-ago quarter includes a $233.9m gain on the sale of the group's Permian unit, and sales include $760m of revenue from Permian operations.

The group, which is headed by Dr Armand Hammer, reported sales declining from $19.1bn to $15.6bn for the full year, while net profits edged higher to $568.7m, or $3.08 a share, against $566.7m, or $2.04, last time.

Newhouse bids for New Yorker

By Our Financial Staff

THE NEWHOUSE group, the U.S. newspaper, magazine and book publishing company, has launched a $150m bid for The New Yorker Magazine Inc, publisher of the New York weekly.

Privately owned Newhouse already holds 142,200 New Yorker shares, or 17 per cent of the total outstanding, and is bidding $180 a share in cash for the rest.

Mr S. I. Newhouse, chairman of the Newhouse group, said in a letter this week to the New Yorker board that he would operate the company as a separate entity to guarantee its editorial independence, should his bid be accepted.

Newhouse was known to have been interested in bidding for the New Yorker.

Mr Newhouse said: "We recognise that the unique quality of the New Yorker magazine is the product of its personnel and of their operating practices and traditions, including the tradition of complete editorial independence.

Record profit for Conrail

By Our New York Staff

CONRAIL, the U.S. government-owned railroad, turned in record earnings of $550.2m, or $18.50 a share, last year, against $313m, or $11.73 a share, in 1983.

The advance was achieved despite a fall in fourth-quarter net income to $89.6m, or $3.30 a share, from $117.5m, or $4.42. Sales rose from $3.1bn to $3.4bn for the full year, and from $808m to $792m for the quarter.

By the end of the year, Conrail's cash balances had grown to $846m from $533m in 1983.

Conrail said that its fourth-quarter figures had been hit by lower shipments caused mainly by a fall in coal freight, along with higher wage costs as employee incomes were brought up to the general level of the industry.

The North East railway group, formed after the collapse of Penn Central, is in the process of being divested by the Government.

Brazil mounts salvage operation for Habitasul

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN central bank has stepped in for the second time in four days to take over the administration of a major financial group in the southern state of Rio Grande do Sul.

The bank said it had intervened in four companies of the Habitasul group, including Banco Habitasul, its commercial arm. The housing finance agency of the group, Habitasul Credito Imobiliario, has been compulsorily wound up.

A rescue operation for the privately owned Habitasul group – the second largest in the state – became inevitable after the federal Government's intervention last Thursday in the Sul Brasiliero group, the leading financial institution in southern Brazil.

Habitasul and Sul Brasiliero had announced their intentions to merge their operations later this year and had already taken the first steps towards this goal.

The Brasilinvest group of Sr Mario Garnero, currently also in difficulties, had also intended to participate in the merger.

The takeover of Sul Brasiliero sparked a run on Habitasul's deposits by small savers – the reason officially cited yesterday for the Government's intervention – and had the same effect on other banks in Porto Alegre, the state capital.

Sr Affonso Celso Pastore, the central bank governor, said in a statement aimed at calming the nervous financial markets and stemming the flow of withdrawals from banks rumoured to be in difficulties, that the bank considered the current "cycle of interventions in the financial market" to be closed.

In an eleventh-hour move to save his group on Sunday night, Sr Pericles Druck, Habitasul's president, telephoned the president of the state-owned Banco Nacional de Habitacao, the BNH, which supervises the housing finance sector, to request an emergency loan of Cr160bn ($43m).

According to Sr Nelson da Matta, the BNH president, this request was refused. On Monday the housing finance chief then formally asked the central bank to wind up Habitasul Credito Imobiliario, which had been the third ranked building society in the country in terms of loans.

Habitasul had been active in the three southern states of the country through its 94 branches. The commercial bank, although relatively small in numbers of branches, was ranked in 28th place in terms of deposits.

Disposal provisions put FMC in loss

BY ANDREW BAXTER IN LONDON

FMC, the Chicago-based defence equipment and chemicals group, plunged to a $126.3m fourth-quarter net loss following the setting up of a $167m reserve for estimated losses from the sale of businesses.

The fourth-quarter deficit, equivalent to $4.03 a share, compares with profits of $56.5m, or $1.67 a share, in the 1983 period. For 1984, FMC reported net profits of $38m, or $1.21, down from $168.8m, or $5.02, in 1983.

Revenues rose from $3.2bn to $3.3bn in the year but slipped from $868.8m to $848.7m in the quarter.

FMC said the businesses included in the divestiture reserve were primarily in the specialised machinery sector, and had lost about $20m in each of the last two years.

The company added that the provision represented the conclusion of a restructuring programme announced in 1980, and divestiture of the businesses would result in positive cash flow.

Leaving aside the $167m provision, fourth-quarter net income from continuing operations fell 19 per cent to $49.4m, reflecting a substantially higher tax rate.

Defence systems profits rose markedly in the quarter, but profits fell in performance chemicals and industrial chemicals, while oil equipment losses widened, reflecting continued market weakness and price discounting.

Pension fund bonus for Gomme group

By Eric Short in London

GOMME HOLDINGS, UK manufacturer of G-Plan furniture, is to receive a £2.9m ($3.2m) cash refund from the company's pension scheme.

The latest valuation of the pension scheme as of November 30 1984, by its actuaries, Bacon and Woodrow, has shown assets to be valued at £8.4m, while liabilities were valued at £4.3m, resulting in a £4.1m surplus.

Gomme's share price rose 10p to 40p as a result of this announcement.

At the previous valuation in July 1981, the value of the scheme's assets was £3.85m, with liabilities valued at a slightly lower figure.

Asset values have risen strongly over the period

Crime link denied by Bank of Boston

By Paul Taylor in New York

THE CHAIRMAN of the Bank of Boston, the 16th largest banking group in the U.S., has taken the unusual step of publicly denying that its First National Bank of Boston unit had been involved in money "laundering" when it failed to report more than $1.2bn in currency transfers over the past four years to nine European banks, including three major Swiss groups.

Mr William Brown, the chairman, said the bank did not know it was breaking U.S. law when it completed the currency transfers between 1980 and mid-1984. He strongly denied there was any link between the transactions and organised crime.

"It has been suggested that the large amounts of currency in small denominations moving in and out of this country involved illegal activities," Mr Brown said. "There is no evidence whatsoever in this case to support this suggestion."

Mr Brown's comments were triggered by the bank's revelation on Friday that it had pleaded guilty to charges that it "knowingly and wilfully" failed to report the currency transfers and had agreed to pay the statutory fine of $500,000 to settle criminal felony charges filed by the U.S. Justice Department. The fine was the largest ever imposed and paid by a financial institution for violation of federal currency reporting laws, which require banks and other financial institutions to report all currency transactions over $10,000.

Since then, speculation has mounted about the reasons for the currency transfers, which the bank said were conducted as part of its regular international correspondent banking business.

Mr Brown said several times that the currency transactions themselves were "perfectly legal."

INTL. COMPANIES & FINANCE

Stanbic moves against the tide with increased profits

BY JIM JONES IN JOHANNESBURG

STANDARD BANK Investment Corp (Stanbic), moved strongly against the current tide of deteriorating banking profits in 1984 and increased pre-tax profits by 27 per cent to R215.6m ($114.6m) from R170.2m. As a result Stanbic has now taken the spot previously held by Barclays as South Africa's largest bank measured in terms of profits.

Total advances rose by 55 per cent to R13.2bn from R8.5bn, partly as a result of the group's aggressive stance during the year and helped by a three-month trading period during which Stanbic's prime ovedraft lending rate was 0.5 per cent lower than those of its *competitors*. Total assets rose to R16.1bn from R11.4bn.

Dr Conrad Strauss, the group managing director, says that the expected decline in demand for credit after the austerity measures implemented by government in August 1984 has still to materialise. He adds *that drought-affected farmers* have tended to increase their borrowings as have merchants suffering involuntary inventory increases. Last year Stanbic made new provisions against bad and doubtful debts of R112.2m compared with R50m.

All of the group's banking subsidiaries improved their net after-tax profits. Standard Bank, the commercial banking arm increased net profits to R97.1m from R81.1m. Stannic, the hire purchase unit, increased net profits to R25.6m from R23.7m and Standard Marchant Bank's net profits rose to R10.9m from R10.3m.

On prospects for 1985, Dr Strauss believes that the general interest rate trend will be downwards *and that if the tight fiscal* policies enunciated by the Reserve Bank are implemented correctly and consumer demand continues to decline then demand for credit will reduce this year.

Earnings increased to 207 cents a share from 188 cents a share and the dividend total has been raised to 62 cents a share from 55 cents. Stanbic is a 52.8 per cent-owned subsidiary of Standard Chartered of the UK.

Hooker lifts first-half earnings by 59%

By Michael Thompson-Noel in Sydney

HOOKER CORPORATION, Australia's biggest property concern, achieved a 59 per cent rise in net profits for the six months to December, to A$17.5m (US$13.5m), *and has* boosted its interim dividend from 4 cents a share to 5 cents *on* capital increased by last month's one-for-four scrip issue. Pre-tax profits were 44 per cent higher at A$25.4m and turnover rose from A$227.5m to A$260m.

Mr Lee Ming Tee, an Australian investor, has acquired 19.9 per cent of Hooker through Sunshine Australia and is offering A$1.75 a share for an additional 18 per cent. However, Hooker's shares closed last night at A$2.11 suggesting that Hooker is safe for the present. Most of Mr. Lee's stake was acquired at A$1.72 a share.

The property and construction group said in January that net profits were *likely* to be about 50 per cent higher, at around A$30m for all 1984-85, would reach A$38m in 1985-86.

The directors plan to raise the full-year dividend total from 9 cents a share to 12.5 cents on the increased capital.

Hooker's main Australian interests include residential land development, housing and retailing. It also has a successful housing operation in the *U.S., Hooker Barnes.*

● **Alcan Australia**, the aluminium producer, staged a significant recovery last year, *despite* softness in world metal prices. Net profits for 1984 were A$15.5m (U.S.$11.9m) against a net loss of A$21.2m for 1983.

Turnover was sharply higher at A$314m against (A$259m), with the directors attributing the improved performance to across-the-board gains in most operations.

Sales and production were at record levels, with home sales aided by stronger demand from *the building industry*. *Export* sales showed more modest gains.

Interest charges last year fell from A$20.8m to A$18.1m, while depreciation was A$15.6m against A$14.7m. The annual dividend is 6 cents a share.

Margins cut at Highveld Steel

BY OUR JOHANNESBURG CORRESPONDENT

IMPROVED export market conditions and steady increases in productive capacity utilisation combined to lift the sales of Highveld Steel and Vanadium by 60 per cent in 1984. However, increased depreciation charges heightened competition in steel markets, and strip *mill commissioning costs cut* margins, with the result that pre-tax profit increased by only 22.6 per cent.

Turnover rose to R450m ($228m) from R282m while pre-tax profit increased to R28.6m from R23.3m.

Mr Leslie Boyd, the chairman, says that depreciation charges rose to R33.5m in 1981 from R27m in 1983 as a result of recent large expenditure on plant. He adds that the rand's weakness allowed Highveld to re-enter the semis export market, which added to steel pro*duction volumes*. In addition production of the ferro-alloys and vanadium plants increased steadily during the year.

By the end of the year the Rand Carbine plant, which produces ferro-alloys, had reached full capacity operations while the Ventra plant, which produces vanadium pentoxide, had reached 90 per-cent capacity utilisation. Steel export volumes are expected to be the same *in 1985 as in 1984*, but Mr Boyd fears that domestic sales will be affected by slack demand

Earnings increased to 38.9 cents last year from 32.8 cents in 1983 and the dividend total has been raised to 17 cents from 15 cents. Highveld is controlled by Anglo America Corporation, South Africa's largest mining group.

Second-half slowdown at Anglo-Alpha

BY OUR JOHANNESBURG CORRESPONDENT

ANGLO-ALPHA, one of South Africa's major cement and aggregates producers, increased turnover by 12.6 per cent and operating income by 15 per cent in 1984 although austerity measures introduced by the government adversely affected fourth-quarter operations. Turnover increased to R309m ($164m) from R275m and operating profit before tax and finance costs rose to R86.2m from R75m.

Second-half sales were affected by restraints placed on government spending, says Mr David Baker, the managing director. In addition the cement division had to compete with the dumping of Spanish cement in Natal and sales of Zimbabwean cement in the Transvaal.

A new 1.2m tonne per year cement kiln was commissioned in December at the ULCO division and was the major item in last year's R150m capital spending programme. At the end of 1984 capital commitments were R48m which will be financed from internal cash flow and borrowings.

Earnings increased to 144.5 cents a *share from 135 cents* and the dividend total has been increased to 52 cents from 47 cents. Anglo-Alpha is 44 per *cent-owned* by Holderbank Financiere Glaris, the Swiss investment group.

Japanese to start issuing money market certificates

TOKYO—Japan is to start issuing money market certificates (MMCs) from March as part of the deregulation of Japanese interest rates, the Ministry of Finance said.

Smaller banking institutions, including mutual saving and loan associations, will issue the new instruments from March 1 and larger banks from April 1. Interest rates will fluctuate in line with those on certificates of deposit (CDs) which are freely determined.

The MMCs will be sold in minimum lots of Y50m ($191,600) with therms of one to six months and with the maximum issue per institution set at 75 per cent of its capital.

The ceiling on MMC interest rates will be set at 0.75 percentage points below the weekly average of the new CD issues compiled by the Bank of Japan, the Ministry said.

The Bank of Japan will announce the weekly average CD rate on Fridays starting on February 22. The first announcement will cover CDs issued between February 14 and 20.

It will also announce other figures such as the outstanding volume of CD issues by city, long-term, and trust banks and the average issue rate of their CDs for less than 120 days.

● Kajima Corp, Japan's second largest contracting company, has reported group net profits 24 per cent down at Y13.25bn ($50.8m) on static sales of Y1,035bn. Earnings per share were Y17.37 (against Y22.87) for the year ended November 30.

Reuter

Arlabank ahead despite doubled loan provisions

BY MARY FRINGS IN BAHRAIN

ARLABANK GROUP, which consists of Arlabank International in Bahrain and its wholly-owned subsidiary, Arab Latin American Bank of Lima, Peru, increased profits for 1984 by a substantial margin despite more than doubling its provisions.

The group's audited statement shows net operating income at US$25.5m, after deductions of $5.6m in specific loan loss provisions. This is a 28.7 per cent improvement on the $19.8m (after provisions of $2.5m) reported for the previous year. A further charge to the profit and loss account of $5.5m (compared with $2.5m) *for unallocated loan reserves* reduces profits for the year to $20m, 15.6 per cent up on the comparable 1983 result of $17.3m.

The unallocated loan reserve fund now stands at $19m in adition to shareholders' equity of $245m.

The balance sheet reflected only modest changes. Total assets (excluding contra items) rose by 7.5 per cent to $1.853bn, mainly due to a 7.2 per cent increase in deposits to $1.518bn. Arlabank also has $40m in longer-term funding from its issue of floating rate certificates of deposit, maturing in 1986. A $300m standby facility provided by Arlabank's shareholders was drawn down by only $100m, the same amount as in 1983.

The loan portfolio at $1.209bn was 2.3 per cent lower than at year-end 1983. Non-performing loans amounted to $44.8m or 3.7 per cent on the total, calculated on a conservative 60-day basis. Just over $8m (18 per cent) has been provided against the loans to date.

Public sector borrowing represented 78 per cent of the total, while the balance was about evenly divided between banks and corporate borrowers. Compared to 1983, regional exposure in Latin America declined from 69.4 per cent to 63 per cent of earning assets (consolidated loans and placements), while commitments to the Arab world rose from 16.5 to 19.8 per cent, and to Europe from 8.8 to 10.5 per cent.

INTERNATIONAL COMPANIES and FINANCE

Porsche sales remain buoyant

BY JOHN DAVIES IN STUTTGART

PORSCHE, the West German sports car maker, which is investing heavily to boost production, expects sales to exceed DM 3bn ($917m) this financial year, after a 17 per cent rise to DM 2.49bn in the year to last July 31.

With plant capacity being expanded and more workers being hired, it is confident of marketing 50,000 cars this financial year, nearly half of them in the U.S.

Production and sales slipped marginally to about 44,000 in 1983-84 because of the labour conflict in the West German metal industries.

Even so, Porsche increased sales revenue from motor vehicles by 12 per cent to DM 2.13bn, while other revenue, notably from repairs, parts and development work for outsiders, rose by 55 per cent to DM 364m.

Porsche's net profit, boosted by the strong dollar, increased by 33 per cent to DM 92.4m. Since 1980-81, when Herr Peter Schutz was brought in as chief executive, Porsche has doubled its revenue and increased its net profit nine-fold.

Herr Heinz Branitzki, the finance chief, said yesterday that Porsche nearly doubled investment in 1983-84 to DM255m. It planned to invest well over DM 300m this financial year and between DM 350m and DM 400m in 1985-86.

The investment programme, unparalleled in Porsche's history, includes outlays on paint shop extensions costing about DM 100m to remove a major bottleneck in production, as well as changes in the model range, expansion of the research centre as Weissach, and improvements in working conditions.

Porsche is progressively introducing three-shift working in some operations at its Zuffenhausen plant, where a car output will rise to 88 a day in March and 100 by mid-year. Car production is also be boosted during the next few months at Neckarsulm from 132 to 150 a day.

PAST FIVE YEARS

	Sales revenue (DM bn)	Net profit (DM m)
1979-80	1.23	10.0
1980-81	1.17	10.0
1981-82	1.49	37.6
1982-83	2.13	69.6
1983-84	2.49	92.4

The company has increased its workforce by 1,200 during the past 12 months to about 7,120.

Despite the profit increase, Herr Branitzki stoutly defended Porsche's decision to pay an unchanged dividend. Investors who bought shares when Porsche went public last year would get DM 8 per share (as a half-year payout for preference shares), even though they paid in their capital only three months before the financial year ended.

The family shareholders, who own all the ordinary voting shares, will receive DM 15 per share for the full year.

Herr Branitzki said he believed that family shareholders had sold only "minimal" amounts of their non-voting preference shares on the stock market since the company went public.

When shares were first offered to the public, the family members agreed to refrain from stock market sales for an undisclosed time to avoid influencing the price. Herr Branitzki revealed that this period was six months and had ended.

Kodak up 73% in final quarter

By Paul Taylor in New York

EASTMAN KODAK, the world's largest photographics products group, has announced sharply higher fourth-quarter and full-year earnings, as we reported in later editions yesterday.

These were spurred by savings from Kodak's voluntary redundancy programme, higher unit volumes and lower raw material and energy costs which offset the adverse impact of the strong dollar.

The company's senior executives sounded a strong warning note about slower profits growth in 1985.

The Rochester-based group said earnings from operations in the final quarter increased by 32 per cent to $310m from $235m a year earlier while net earnings increased by 73 per cent to $204m, or $1.32 a share, from $117m, or 70 cents. Worldwide sales for the quarter increased by 7 per cent to $2.75bn from $2.57bn.

Kodak said earnings from operations for the full year increased by 51 per cent to $1.55bn from $1.03bn while net earnings climbed by 63 per cent to $923m, or $5.71 a share, from $65m, or $3.41, on revenues which grew by 4 per cent to $10.6bn from $10.17bn.

Mr Colby Chandler, chairman and chief executive, and Mr Kay Whitmore, President, said the substantial earnings gains came despite the effects of the strong dollar. They said net earnings would have been about 60 cents a share last year if 1983 exchange rates had prevailed

Kodak said sales from its photographic division increased by 3 per cent to $8.38bn last year

Avesta continues to cut jobs

By Kevin Done, Nordic Correspondent, in Stockholm

AVESTA, the Swedish stainless steel manufacturer, plans to cut a further 500 jobs in the group as part of efforts to shore up its sagging profitability.

It is also investigating the closure of a hot-rolled strip mill, which could bring a further loss of 400 jobs at Fagersta Stainless, an affiliate owned jointly with Sandvik. Future supply might come either from Asea or SSAB.

A new executive chairman, Mr Gunnar Engman, was appointed in November as part of a shake-up of top management.

The Avesta board has called for steps to improve the company's profits by some SKr 300m ($32.3m) in a full year. About two-thirds of this amount is to be gained from job cuts in common services in the group, chiefly in transport, maintenance and administration.

It is hoped to improve the group's performance by a further SKr 100m through actions to streamline worldwide sales and marketing activities.

In addition Avesta has made it clear that investment can only come from internally generated profits or from sales of further assets such as forest holdings, hydro power assets or property.

The group's sales in 1984 totalled some SKr 5.5bn. It is planning to cut its workforce to about 6,500 from a present level of more than 7,000. The loss of 500 jobs was announced last year.

Avesta was formed early last year following a far-reaching restructuring of the Swedish stainless steel industry. It is 87 per cent owned by the Johnson Group. The remaining 13 per cent of its equity is held by Skandinaviska Enskilda Banken.

The group has failed to meet its original profit forecasts, issued last year, and during the autumn it was forced to withdraw a share issue guaranteed by SE Banken, when it drastically cut its 1984 profit forecast to only SKr 60m from the SKr 175m forecast in August.

Norsk Hydro maintains growth

BY OUR FINANCIAL STAFF

NORSK HYDRO, the Norwegian energy group whose profits rose strongly in 1983, reports an increase of more than four-fifths in after-tax earnings for last year.

Against NKr 1.08bn in 1983, net profits have risen to NKr 1.97bn ($209m) on the back of turnover totalling NKr 35.5bn. Sales in 1983 were NKr 29.8bn.

Norsk Hydro has changed its accounting principles, switching from a Norwegian standard to the U.S. system of accounting.

The year's results are comparable, but represent a major adjustment from those presented for the first nine months of 1984.

Norsk Hydro said its petroleum activities are still making the largest contribution to earnings. Heavy taxation meant that the industrial divisions showed little change in profits.

Operating profit for the petroleum division was NKr 4.13bn, against NKr 3.59bn. The agriculture division had operating profits of NKr 987m and light metals showed operating profits of NKr 688m. These two divisions returned NKr 803m and NKr 431m in 1983.

On the old accounting basis, group profits in 1983 were NKr 2.7bn, up from NKr 1.4bn in 1982. The company increased its dividend by a seventh to NKr 16 a share.

The 1983 improvement followed two years of relatively static earnings. It resulted partly from a strong recovery in fertilisers and a turnround out of losses in petrochemicals.

Progress slows at S-E Banken

BY OUR NORDIC CORRESPONDENT IN STOCKHOLM

PROFITS of Skandinaviska Enskilda Banken, Sweden's leading bank, made slow progress last year following the strong performance of 1983.

Earnings came under pressure both from increased credit losses and from the restrictive monetary policy pursued by the Swedish central bank.

S-E Banken's operating profit rose by just 2.3 per cent to SKr 2.36bn ($254.5m), while the parent bank's operating surplus dropped by 3.8 per cent to SKr 1.84bn.

Mr Curt Olsson, the chairman, admitted yesterday that credit losses and rising costs were "a cause for some concern."

Total operating income in the group rose by 16.8 per cent to SKr 6.5bn, while total operating costs jumped by 26.1 per cent to SKr 3.48bn.

Lending losses, which have been rising fast in Sweden since 1982, jumped by 83.4 per cent in the parent bank to SKr 270m from SKr 147m in 1983.

The increase has chiefly come from growing problems among small companies in the trading and retailing sector, but S-E Banken was also hit last year by the bankruptcy of Saleninvest, previously Sweden's biggest shipping company, and the country's biggest corporate failure since the 1930s.

S-E Banken was Saleninvest's house bank and is taking write-offs of SKr 200m as a result of the bankruptcy.

At the end of 1984, S-E Banken's total assets had risen by 11.8 per cent to SKr 182bn.

Mobil Oil acquires 50% of Franz Haniel offshoot

BY RUPERT CORNWELL IN BONN

MOBIL OIL AG, the Hamburg-based subsidiary of the U.S. group, is to acquire 50 per cent of Haniel Handel, the oil trading subsidiary of the Franz Haniel concern of Duisburg.

The deal, already approved by the Federal Cartel Office in Berlin, will enable Mobil to increase heating fuel sales, while offering Haniel guaranteed long-term supplies. No financial details of the agreement were given, but with annual turnover of DM 1.5bn ($459m) Haniel Handel is one of the largest energy trading companies in West Germany.

The link-up follows on an earlier marketing agreement between the two groups, and allows Haniel Handel to continue to operate as an independent entity.

Mobil itself has not escaped the general difficulties of the West German oil refining industry. Overcapacity has forced the company to mothball its refinery at Wilhelmshaven, completed in 1976 at a cost of DM 800m.

Bank appeal by former Rumasa chairman fails

By David White in Madrid

THE FORMER chairman of the Rumasa group, Sr Jose Maria Ruiz-Mateos, failed yesterday in his attempt to get a court to overrule the re-sale by the Spanish Government of his one-time banking interests.

The Supreme Court in Madrid turned down an appeal lodged by Sr Ruiz-Mateos's lawyers against the re-privatisation of the banks which were expropriated along with the rest of the Rumasa group two years ago. Sr Ruiz-Mateos is currently in West Germany awaiting an extradition verdict.

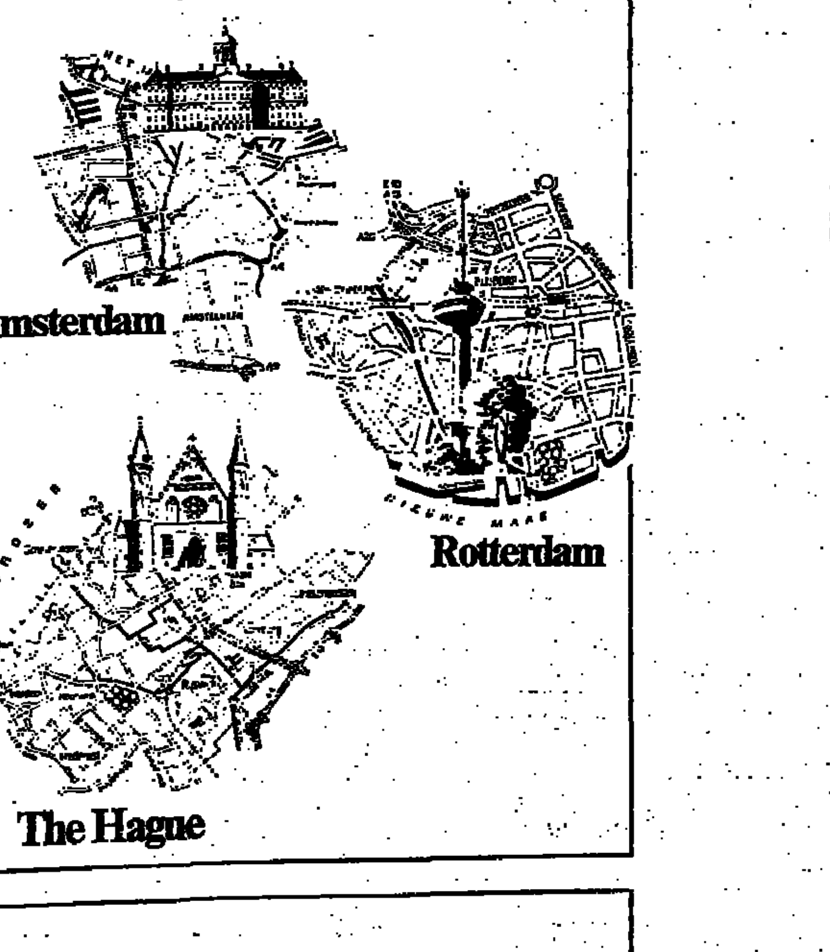
The lawyers had argued that ownership, in the event of re-privatisation, should revert to the original owner. However, the court found that the Government's decision did not, as claimed, infringe any fundamental property rights laid down in the Spanish constitution.

Re-sale of 17 Rumasa banking subsidiaries was approved by the Socialist Government last summer in a package deal with the country's top dozen private-sector commercial banks, involving a Pta 440bn ($2.44bn) funding operation to offset the Rumasa group's accumulated banking losses.

Under an agreement between the private sector banks, the Rumasa interests were subsequently distributed among seven of them. One of the Rumasa banks, Banco Condal, had its branch network split up and the remainder were assigned to new owners.

The largest bank under Rumasa control, Banco Atlantico, had already been sold off by the Government to a consortium of Arab and Spanish interests.

Atlantico registered a pre-tax profit of Pta 2.02bn last year, slightly up on the previous year's result of Pta 1.91bn, but several other ex-Rumasa banks showed a sharp deterioration



Leadership in Mergers Acquisitions and Divestitures 1984

INTERNATIONAL

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
Agfa-Gevaert N.V., a subsidiary of **Bayer AG**	Matrix Corporation	Purchase of 672,500 shares of Matrix Common Stock	$ 13,000,000
Bank of Montreal	**Harris Bankcorp, Inc.**	Merger for Cash	718,000,000†
Bowater Incorporated	**Bowater Corporation plc** (now **Bowater Industries plc**)	Demerger	500,000,000
Bralorne Resources Limited	Mark Products, Inc.	Merger for Cash*	19,000,000
The Broken Hill Proprietary Company Ltd.	Utah International Inc.	Acquisition from General Electric Company of Certain Assets of UII (Advisor on Acquisition Debt Financing)	2,400,000,000
Hoteles Mallorquines Asociados, S.A. (Cadena Sol) and Kuwait Investment Office (KIO)	**La Direccion General del Patrimonio del Estado Español** and **Rumasa, S.A.**	Divestiture of Hoteles Agrupados, S.A.	65,000,000
Key Pharmaceuticals, Inc.	**Mitsubishi Chemical Industries Limited**	Sale of 2 million shares of Key Pharmaceuticals Common Stock	28,000,000
Lilly Industrial Coatings, Inc.	**Celanese Corporation**	Divestiture of Certain Assets and Liabilities of Almatex Ltd.*	8,000,000
Marathon Oil Company	**Husky Oil Ltd.**	Divestiture of Husky Oil Company	505,000,000
The Mitsubishi Bank, Limited	BanCal Tri-State Corporation	Merger for Cash	282,000,000
The Nestlé Company, Inc.	**The Terson Company, Inc.**	Divestiture of Ward-Johnston Candy Segment	Undisclosed
Nestlé S.A.	Carnation Company	Cash Tender Offer	3,000,000,000
Organizacion Diego Cisneros	**La Direccion General del Patrimonio del Estado Español** and **Rumasa, S.A.**	Divestiture of Galerias Preciados	156,000,000
Prebon Money Brokers, Inc., a subsidiary of Charles Fulton International, Limited	**Mabon Nugent & Co.**	Divestiture of Money Broking Business	Undisclosed
Reckitt & Colman plc	**CIBA-GEIGY AG**	Divestiture of Airwick Group*	193,000,000
Rhone-Poulenc S.A.	Siltec Corporation	Joint Venture and Purchase of up to 5% of Siltec Common Stock	Undisclosed
Scrivner, Inc., a subsidiary of **Franz Haniel & Cie GmbH**	S.M. Flickinger Co., Inc.	Cash Tender Offer	174,000,000
Settsu Paperboard Mfg. Co., Ltd.	Consolidated Fibres Inc.	Purchase of a 50% Interest in a New Joint Venture Company, Consolidated Fibres/Settsu Inc.	Undisclosed
Société québécoise d'initiatives pétrolières	**Sundance Oil Company**	Merger for Cash	106,000,000
Texaco Canada Inc.	**Texaco Inc.**	Divestiture of Canadian Reserve Oil and Gas Ltd.*	495,000,000†
Unimar Company (a General Partnership whose partners are subsidiaries of **Allied Corporation** and **Ultramar PLC**)	ENSTAR Corporation	Cash Tender Offer/Merger for Indonesian Participating Certificates	511,000,000
Wintershall AG, a subsidiary of **BASF AG**	Tricentrol PLC	Purchase of Certain Oil and Gas Properties	73,000,000

DOMESTIC U.S.

Acacia Financial Corporation	**Calvert Group, Ltd.**	Merger for Cash	Undisclosed
Allegheny Beverage Corporation	**City Investing Company**	Divestiture of Servomation Corporation*	$ 225,000,000
American Broadcasting Companies, Inc.	**Texaco Inc.**	Sale of 85% Interest in the Entertainment and Sports Programming Network, Inc. (ESPN), and Related Assets	202,000,000
American Express Company	**Alleghany Corporation**	Divestiture of Investors Diversified Services, Inc.	825,000,000
American General Corporation	Gulf United Corporation	Purchase of Life Insurance Operations	1,260,000,000
American Medical International, Inc.	**CalFed Inc.**	Divestiture of Fidelity Interstate Life Insurance Company	8,000,000
American Medical International, Inc.	**Lifemark Corporation**	Merger for Common Stock	1,019,000,000
AmSouth Bancorporation	FirstGulf Bancgroup Inc.	Merger for Cash and Common Stock*	110,000,000
BancOklahoma Corp.	**Fidelity of Oklahoma, Inc.**	Merger for Common Stock	62,000,000
Barnett Banks of Florida, Inc.	Florida Coast Banks, Inc.	Cash Tender Offer	75,000,000
Blue Bell Holding Company Inc.	**Blue Bell, Inc.**	Merger for Cash	480,000,000
Blue Bell, Inc.	Private Investors	Purchase of 1.1 million shares of Blue Bell Common Stock	54,000,000
Bristol-Myers Company	**American Sterilizer Company**	Divestiture of AMSCO/Hall Division	55,000,000
CalFed Inc.	Beneficial Standard Corporation	Purchase of Beneficial Standard Life Insurance Company	125,000,000
CBI Industries, Inc.	**Houston Natural Gas Corporation**	Divestiture of Liquid Carbonic Corporation	407,000,000
The Chase Manhattan Corporation	**Lincoln First Banks Inc.**	Merger for Cash, Common and Preferred Stock	308,000,000
Chemical New York Corporation	Florida National Banks of Florida, Inc.	Merger for Cash*	374,000,000
Chevy Chase Savings and Loan, Inc.	B.F. Saul Mortgage Company	Merger for Preferred Stock*	38,000,000
Citizens and Southern Georgia Corporation	Citizens and Southern Group banks	Mergers for Cash, Common Stock and Notes	61,000,000
Citizens and Southern Georgia Corporation	**First Southeastern Company**	Merger for Cash	Undisclosed
CK Acquisition Corp.	**Puritan Fashions Corporation**	Cash Tender Offer	62,000,000
The Coastal Corporation	**Houston Natural Gas Corporation**	Takeover Defense (Takeover Offer Unsuccessful)	1,275,000,000
Coca-Cola Bottling Co. Consolidated	WEI Enterprises Corporation	Purchase of Wometco Coca-Cola Bottling Company*	300,000,000
Colonial Management, Inc.	**Private Investors Including First Boston, Inc.**	Recapitalization	Undisclosed
Combustion Engineering, Inc.	**Impell Corporation**	Cash Tender Offer	107,000,000
Combustion Engineering, Inc.	Jamesbury Corp.	Cash Tender Offer	102,000,000
Cooper Industries, Inc.	**Transitron Electronic Corporation**	Divestiture of Computer Cable Division of Phalo Corporation	Undisclosed
Cross & Trecker Corporation	Allied Corporation	Purchase of Bendix Automation	65,000,000
Danaher Corporation (formerly **DMG, Inc.**)	Master Shield, Inc.	Merger for Cash, Common Stock and Notes	19,000,000
Danaher Corporation (formerly **DMG, Inc.**)	The Mohawk Rubber Company	Merger for Cash, Common Stock and Notes	14,000,000
Dresser Industries, Inc.	**American Standard Inc.**	Divestiture of Assets of Construction and Mining Equipment Group	Undisclosed
Eastern Gas and Fuel Associates	**Houston Natural Gas Corporation**	Divestiture of Federal Barge Group	40,000,000
Equitable Resources, Inc.	Union Drilling, Inc.	Merger for Cash	43,000,000
Equity Group Holdings	The Mohawk Rubber Company	Merger for Cash	87,000,000
Ethyl Corporation	Ethyl Corporation	Self Tender Offer for 5.9 million shares of Common Stock	177,000,000
Fairfield Chicago, Inc.	**Terson Holdings, Ltd.**	Divestiture of LaCrosse Milling Company	Undisclosed
First Bank System, Inc.	Banks of Iowa, Inc.	Merger for Cash*	150,000,000
A New Corporation Organized By First Boston, Inc.	Amerace Corporation	Leveraged Buyout and Cash Tender Offer with Management and First Boston as Investors	163,000,000
A New Corporation Organized By First Boston, Inc. and **Kelso & Company**	American Sterilizer Company	ESOP Leveraged Buyout and Cash Tender Offer with Management, First Boston and Kelso as Investors*	230,000,000

INTL. COMPANIES

Shake-out for commercial vehicle business

GM aims for bigger slice of truck and bus market

THE WIND of change sweeping through General Motors, the world's largest automotive *group, is not confined* to the car operations. GM's commercial vehicle business is about to be dramatically expanded as the group dashes for growth and market share increases outside North America.

According to GM's estimates, by 1990 world-wide demand (excluding Eastern Europe) for commercial vehicles will reach 11m compared with the previous peak of 9m in 1978.

But most of the growth will be outside North America. Following the example of the European truck producers which gained solid footholds in the U.S. during the recession at the beginnig of the 1980s by acquiring ailing American companies, GM is taking advantage of the severe problems currently afflicting the industry nearly everywhere but the U.S.

It is talking to several producers around the world to find out if they can be fitted into a "world truck and bus strategy."

Mr Don Atwood, an executive vice-president who was promoted last year from heading the world truck and bus division based at Pontiac, Michigan, is masterminding the "go for growth" attempt which GM insiders predict will revolutionise *the group's position in* commercial vehicle markets in a very few years.

The immediate goal is to build GM's share of world-wide commercial vehicle sales from *the current 6 per cent to 10 per* cent.

GM is no longer content to allow slow, organic growth to do the job and to rely only on its wholly-owned UK sub*sidiary, Bedford, and Isuzu of* Japan, in which it has a 36 per cent shareholding with an option to go up to 43 per cent.

Some indications of GM's new approach have been surfacing around the world recently:

● In Spain GM is involved in a joint study with Enasa, the state-owned Pegaso truck and bus group, to see what benefits could come from a business relationship. The Spanish authorities have made it clear they would prefer GM—which has already proved to be a valuable asset to Spain by building the Opel Corsa/Vauxhall Nova car plant at Zaragosa—to take a controlling interest in Enasa, the products of which are better known in some African and South American markets than in Western Europe.

● In West Germany MAN, the second-largest heavy truck producer has been engaged in discussions with Bedford about swapping components—Bedford might use MAN's heavy truck front and rear axles while the German company might buy Bedford cabs.

General Motors is talking to a number of commercial vehicle producers. "Can they fit into its world truck and bus strategy?" is the question the Detroit heavy-weight is asking. Kenneth Gooding, our Motor Industry correspondent, reports on the company's success to date, and suggests that GM's new approach to commercial vehicle marketing is blowing like a wind of change throughout the industry worldwide. No longer content to allow growth to build slowly and organically, GM is going for a rapid build-up in world market shares over the next five years. By 1990, it expects total world demand to reach 11m units

● In Mexico talks are going on between GM and Dina, another state-owned company, about the potential for joint production of trucks and diesel engines.

Several other sets of ngotiations, so far not revealed, are also believed to be in progress.

But even those already known about will place GM in a spider's web of joint projects and deals which are becoming increasingly important to the smaller manufacturers as they search for economies of scale.

For example: If GM takes control of Enasa it also gains ownership of Seddon Atkinson in Britain, the heavy truck *producer Enasa acquired last* year.

Enasa already has a deal with Daf of Holland to develop and jointly produce a medium-sized truck cab. It also manufacturers ZF truck transmissions in Spain under licence from the West German company.

Before the discussions were widened, Enasa had already come close to agreeing a deal to produce Isuzu vans in Spain to replace the ageing "J" range. This project has been put on "hold" for the time being.

Meanwhile, only a week ago MAN signed a letter of intent to co-operate in the development and manufacture of a range of heavy duty truck and bus axles with Eaton, the U.S. *components group*. This arrangement would benefit GM which makes no similar axles of its own either in Europe or the U.S.

All these threads must be *woven into the fabric of GM's* "world truck and bus" programme which the group has been putting together since 1979 and will draw together the expertise and manufacturing capabilities of GM's own commercial vehicle businesses: including GMC, Chevrolet and Detroit Diesel Allison in the U.S., GM do Brazil and Bedford as well as Isuzu.

The original concept has been expanded. GM's rivals, particularly Ford, Daimler-Benz (the Mercedes group which is the largest heavy truck producer in Europe) and Iveco (the Fiat-owned company which is second in the league) are watching with extreme interest to see what final shape emerges.

They have in mind that when GM decided to boost its Western European car market share, the group took some years and spent billions of dollars to do just that and in the process completely upset the equilibrium of the market.

As Mr J. T. Battenberg III, Bedford's geneal manager, says, GM is like a steamroller: it takes some time to get rolling but once it is rolling absolutely nothing will stop it getting to where it wants to be.

CONTRACTS

BR places £19m work

British Railways Board has placed contracts worth over £19m with 10 private sector companies. They are Balfour Beatty Power Construction Co (£6.7m) for the supply and installation of overhead line equipment; Pandrol (£4.6m) for the supply of rail track fastenings; Intergraph (GB) (£4m) for a computer aided design system; Shell UK Oil and Stephenson Clarke Industrial Fuels (£2m shared) for *heating oil*; Initial Garment Manufacturing, Practical Uniform Co., E&E Overalls, Remploy and Harvey & Co (Clothing) (£2m shared) for clothing.

★

The Eastleigh based **PIRELLI CONSTRUCTION**, has won an order worth £4.5m from the British Railways Board, which has been approved by Strathclyde Regional Council. The contract calls for 25 kV overhead electrification equipment to be installed for the Ayrshire coast electrification scheme in Scotland, between Glasgow and the coast at Ayr and Ardrossan. It is anticipated that near 100 new jobs, mainly in the construction field, will be created. The lines to be electrified connect with the existing electrified route from Glasgow to Gourock and Wemyss Bay at Paisley. A fully electrified service to Ayr is due for *completion by October 1986 and* to Ardrossan by early 1987.

★

A Cumbernauld engineering company has landed oil sector export orders totalling £3.5m ***WKM (GREAT BRITAIN)***, a subsidiary of the Texas-based WKM Joy Co, has signed contracts with Iraq, Algeria and Holland for the supply of wellhead equipment, the orders being worth £2m, £1m and £500,000 respectively. WKM's general manager, Mr David Vaughan, said: "Our winning of these orders vindicates our decision to install £3.5m of new machine tools. I foresee a future of *almost unlimited success for the* company. Given the tremendous team effort which characterises the operation in Cumbernauld."

★

SULZER BROS (UK) of Leeds *has signed a £3m contract with* the Ministry of Irrigation, Cairo, for the design and supply of pumping equipment for the El Amoum Irrigation Project in the Nile Delta in Egypt. The pumps will be arranged in groups of five in three pumping stations, capable of transferring 50 cu metres per second. The contract also includes the supply and erection of motors, discharge flap valves, level control gates, weed screen raking machines, instrumentation and radio telemetry equipment. The main contractor, Tersana, is to provide the remainder of the plant from local sources. Finance is assisted by a UK Aid and Trade Provision supported by Lloyds Bank.

APPOINTMENTS

Changes at Central & Sheerwood

CENTRAL & SHEERWOOD has appointed Mr David N. James as deputy chairman in addition to group managing director. Mr John M. Thomson, a non-executive director, has resigned in view of his increasing commitments elsewhere, in particular his forthcoming appointment as chairman of London & Manchester Group.

★

At SIR JOSEPH CAUSTON & SONS Mr F. C. B. Bland and Mr C. W. Brocklebank have resigned as directors. M. R. E. Hanwell has been appointed a director and elected chairman in succession to Mr Bland.

★

Mr Tom Weatherby has been appointed deputy chairman of WHITECROFT and will become chairman and managing director on the retirement of Mr John Tavaré on August 1. He is a non-executive director of Simon Engineering and Chamberlain Phipps and was appointed a non-executive director of Whitecroft in January 1984.

★

Mr Ken Cupitt has been appointed a director and general manager and Mr P. Robson has been *appointed operational* director of BAYNES TEXTILE RENTAL SERVICES.

★

At SCANDINAVIAN BANK GROUP Mr Ken Hughes, Mr Frank Roche and Mr Graham Vickery are promoted general managers. Mr George Troke and Mr Reijo Urho become managers.

★

Mr David Singleton has been appointed to the board of the ARC GROUP. Since 1979 he has been responsible for marketing and development, a role he will continue.

★

MKI SECURITIES CORPORATION, one of the largest corporate *bond brokers in the U.S.*, has appointed Mr Piers Fallowfield-Cooper to the new post of vice-president, business development, based in London. He takes his new post in March, and formerly held senior management positions with ADP Comtrend and Mercantile House Holdings.

★

W. CANNING MATERIALS has appointed Mr David Brown as UK sales and marketing director. He was group marketing manager with Diversey.

★

HONEYWELL INFORMATION SYSTEMS has appointed Mr Richard Baglin as sales director of its northern region. He was director of industry products.

★

STAR OFFSHORE SERVICES has appointed Mr Robert Pattullo to the board as commercial director. He joined Star last September having previously worked with Christian Salvesen (Oil Services).

★

Sir Alastair Frame, deputy *chairman* and chief executive of Rio Tinto-Zinc Corporation, will join the board of GLAXO HOLDINGS as a non-executive director on March 1.

★

Dr Jan Winter has been appointed managing director of FLOYD OIL PARTICIPATIONS. He was vice-president of Murphy Oil, London. Mr W. G. Hill, who has been acting managing director since October 1984, *remains a director*.

★

Following the acquisition of Main City Equipment (London), the board of LYNDOE (HOLDINGS) is now Mr Mikal Lyndoe (managing director), Ms Kristi Lyndoe (chairman), Ms M. Jeanette Lyndoe (finance director), and Mr S. J. Carlton (non-executive).

★

Mr J. V. P. O'Connor has been appointed chairman of LYON JAGO WEBB, Lloyd's brokers.

★

Mr Philip Mackman has been appointed managing director of HMT MACKSPRAY, a new subsidiary company of HMT Compressed Air Services. Mr Stanley Barry, former sales manager with Sprayfine, also joins the Mackspray board.

★

Mr Neil Pykett has been appointed sales and marketing director of INTERLEASING (UK). He was general manager of Hanger Nottingham.

★

Lord Digby has been appointed chairman of W. & J. TOD *in succession* to Mr B. C. Beazer who remains a director. Mr Ralph Lovell as director, has been appointed assistant managing director, Mr Alan Dark, works manager, becomes works director; and Mr Matthew Thorne, has been made a director. Lord Digby has been associated with C. H. Beazer (Holdings), major shareholders in Tod, since 1981, becoming a non-executive director in 1983.

Stefan Wagstyl looks at a family concern soon to be floated on the USM

Dressed casually to face the City

MR NITINKUMAR SHAH started selling jeans on two market stalls. As a follower of fashion, he picked the right spots in London — King's Road, Chelsea, and Portobello Road — and the business never looked back.

Twelve years later, Mr Shah, and his brothers, Mr Arunkant Shah and Mr Milankumar Shah, who all came to the UK from Kenya with hardly a penny in their pockets, run a company which will be worth up to £25m when it is floated later this month on the Unlisted Securities Market.

Pepe Group sells jeans and casual clothes to independent boutiques and multiple chains across the country. Fashion-conscious young people, men and woman mainly aged 16 to 30, are the eventual High Street customers.

Pepe designs, markets and wholesales clothes which are made to order, largely in Hong Kong. The company abandoned its retail origins after some early successes with the market stalls and with a string of five boutiques, including one called the San Tropez in King's Road.

The wholesaling business was started in the basement of the San Tropez and grew so rapidly that the boutiques were sold off to allow the brothers to concentrate on wholesaling.

The San Tropez basement was soon too small, and Pepe moved to a nearby warehouse and moved again in 1979 to its present 25,000 sq ft headquarters and warehouse, Pepe House in Willesden, North London. Now this is too small, and the company is buying and refurbishing a 50,000 sq ft building for another move in the autumn.

Profits have grown dramatically in the past two years from £358,000 pre-tax in the year to the end of March 1983, to £915,000 last year and an estimated £2.5m this year. Sales have leapt from £5.8m in 1983 to a forecast £17m.

But Pepe has also been through difficult times—there were losses in 1980 and 1981—partly due to the cost of moving to Willesden, but also because a large shipment from Hong Kong was delayed enroute. Also a joint venture in manufacturing in Kenya went wrong.

The company believes it learnt from its mistakes. It thinks it is large enough to manage a move more easily this year, and to cope with the cost of a break in supplies from the Far East. It has also sworn never to go into manufacturing again.

Mr Nitinkumar Shah, the company's 34-year-old managing director, says: "In manufacturing you take on to many people and too many risks. We want maximum flexibility."

It is this flexibility which Pepe believes has given it the edge over much larger competitors who manufacture their own clothes, such as the U.S. company Levi Strauss which has recently cut capacity in response to a fall in demand for traditional denim jeans.

Pepe says that while the jeans and causal wear market in the UK has remained static over the past six years, at about £600m a year, Pepe's market share has risen from 0.5 per cent to 3 per cent.

This has largely been done by expanding new ranges of casual clothes—jackets and shirts and all kinds of trousers—so that the relative importance of jeans declined from 100 per cent of turnover to about 30 per cent.

Pepe still sees strong demand for jeans—it is promoting a new label, HardCore, to market denim jeans to customers who are not attracted to Pepe's softer lines in casual clothes.

Mr Arunkant Shah, finance director, says: "We are in the business of being very flexible. If jeans go out fashion as some people think they might, we can quickly go into something very different."

The attitude is reminiscent of French Connection Group, the USM-quoted fashion company, which has grown very rapidly designing and marketing casual clothes to retailers, though, unlike Pepe, it also has a small chain of shops and does a limited amount of manufacturing.

'We are in the business of being flexible. If jeans go out of fashion as some people think they might, we can quickly go into something different'

Pepe is organised to respond quickly to changes in demand. Orders are taken in early spring for the Autumn/Winter ranges, and again in the Autumn for the following Spring/Summer collection.

Pepe places orders with manufacturers only for those goods which it has already effectively sold in advance—nothing is made for stock, late orders are not accepted. If business is lost, "too bad," says Mr Nitonkumar Shah.

Garments are supplied in standard packs—for example 30 pairs of jeans of different sizes in a box—so that repacking at Willesden is kept to a minimum. Some other warehouses may be full of clothes rails—Pepe's is filled with cardboard boxes.

Mr Nitinkumar Shah says that close attention to quality control and delivery times is as important as fashionable ranges. "It takes a long time to win the customers' faith," he says.

Pepe now has about 1,000 customers in the UK, including chains like Burton Group, John Lewis Partnership and Jean Jeanie. It is careful about taking on new customers too quickly for fear of saturating the market.

Instead ideas for further expansion are coming from elsewhere—Pepe has recently granted licences to shoe manufacturers to use the Pepe label; it wants to do more to develop the range of jeans sold under the HardCore label; it plans to bring out new lines for youngsters aged under 16.

But most important are Pepe's plans to expand overseas. It moved into the Irish Republic in 1983 and set up in the U.S. last year. Mr Arunkant Shah says the American market, 10 times the size of the British, is very exciting for Pepe. Significantly, it is a market where French Connection has already made a strong impact.

The main aim of the public flotation, arranged for February 27 by the Industrial Finance and Credit Corporation and stockbroker Capel-Cure Myers, is to raise £5m to fund Pepe's expansion plans.

All the shares to be issued will be new—the Shah family is not selling any and will be left with about 75 per cent of the company's enlarged equity.

Mr Nitinkumar Shah believes that Pepe will remain a family-run company. "There is a family atmosphere. It is a matter of everybody getting in there and becoming part of Pepe."

Priestman sold to Sanderson

BY GORDON CRAMB

Priestman Brothers, the Hull-based excavator manufacturer, has found a purchaser after five months in receivership.

Priestman was one of the largest divisions of Acrow, the engineering empire which collapsed in September, and has proved among the most difficult to sell.

It has been bought from the recveivers by the privately-owned Sanderson (Forklifts) of Skegness for an undisclosed sum.

For Sanderson, which specialises in rough-terrain fork-lift trucks, this is its second acquisition within a year of a company dragged under by the debts of its parent. Last June it bought Winget, a UK maker of dumpers and cement mixers, which was part of Wibau of West Germany. Wibau was controlled by IBH Holdings, which failed in November 1983.

Mr Richard Shelley, sales director of Sanderson, said yesterday the first priority would be to re-establish product support for users of Priestman equipment. It had not discussed its plans with Priestman's former workforce but intended to keep it as a going concern.

A year ago Priestman employed about 550, but the number has been reduced progressively both before and during receivership. Last week the remaining 70 were given redundancy notices ahead of the deal — a receivership practice which releases a new owner from compensation liability.

Sanderson has acquired the UK assets and the industrial rights of Priestman, its international marketing arm, and Taperex, a subsidiary which makes bearing components. In the year to March 1984, Priestman had a turnover of £15m.

Priestman is known for its variable counterbalance excavators, used in digging water-courses, and has a range of smaller machines for agricultural and building industry use.

Winget, formerly based in Gloucester, was transferred last year to a rented factory in Skegness pending the construction there of a new purpose-built site due to be completed next month.

Craton Lodge profit right on target

For the year ended September 30 1984 the Craton Lodge and Knight Group of consultants reached the profit forecast in last October's prospectus for entry to the USM. Before tax the profit has advanced from £218,000 to £485,000.

The group works with major companies to create and develop new consumer products and services. As well as operating in the grocery, household and pharmaceuticals sectors, the group has in recent years moved into consumer durables, financial services, information technology and leisure.

Mr David Craton, the chairman, says the group is currently handling more new business inquiries than ever before. But acquiring new business is costly, so profits for the first half of the current year are unlikely to reflect the progress of recent years, or the level of activity in which the group is engaged.

The chairman tells shareholders that work in the fast moving consumer goods sector continues to grow and he is particularly pleased by new product development assignment in the financial services area and in information technology.

Turnover in 1983-84 was up from £2.38m to £3.67m. After tax £244,000 (£122,000) and minorities £53,000 (£23,000), the net attributable balance comes out at £188,000 (£73,000). Earnings were 4.5p (1.1p) per share.

Kraft chief now holds 63%

Kraft Productions, the Somerset furniture maker whose shares have been suspended since 1983, yesterday published recapitalisation proposals under which its chairman, Mr David Burne, would increase his holding from 24.3 per cent to 63.1 per cent.

Mr Burne's company, Corporate Financial Services, plans to subscribe to 2.6m new shares at 25p each, providing the company with £200,000 in new funds, and capitalising £450,000 in unsecured loans from Corporate to Kraft. Corporate also owns 67 per cent of Dura Mill, a Lancashire cotton company.

The subscription price compares with the suspension level of 190p in December 1983, reached amid speculation about an offer for Kraft.

Kraft yesterday reported further losses in the first six months of 1984, but said its product range has been redesigned, and modern productive techniques introduced.

Pre-tax losses in the six months ended June 30 1984 were £72,359 against £114,611 in the corresponding period of the previous year on turnover of £382,502 against £305,051. Loss after extraordinary items was £94,436 against £118,072.

The Takeover Panel has exempted Corporate from making a bid for all the shares of the company, provided shareholders other than Mr Burne approve this.

Whitworth Electrical

A pre-tax loss of £84,968 is reported by Whitworth Electrical (Holdings), wholesale distributor of electrical components, in the six months to September 30 1984. This compares with pre-tax profits of £38,182 over the same period in 1983.

Turnover is down at £7.82m (£7.87m) and the group attributes the "extremely disappointing" results to pressure on margins and continuing computer development costs.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Ariel Industries.

Finals: Channel Islands and International Investment Trust, Copenhagen Handelsbanken A/S, Crest Nicholson, Hunterprint, Scottish American Investment, Securicor, Security Services.

FUTURE DATES

Interims—	
Firth (G. M.)	Feb 15
Kwahu	Feb 19
Stothert and Pitt	Feb 25
Webb (Joseph)	Feb 14
Finals—	
Lancashire & London Inv. Tst.	Feb 14
Metal Bulletin	Feb 21
River and Mercantile Trust	Feb 21
S.K.F. AB	Feb 28
Temple Bar Invest. Trust	Feb 18

EQUITABLE UNITS

Daily prices as at 12 February 1985

EQUITABLE UNITS ADMINISTRATION LIMITED

35 Fountain Street, Manchester M2 2AF. 061-236 5685

	Bid	Offer	Yld%
Authorised Unit Trust prices			
Far Eastern	51.2	54.5	0.66
Gilt & Fxd Int	46.3	49.3	9.93
High Income	52.0	55.4	8.05
North American	56.6	60.3	2.02
Pelican See UT Information Service			
Special Situations	52.7	56.1	3.17
Tst of Invst Tsts	53.7	57.2	1.81

EQUITABLE LIFE ASSURANCE SOCIETY

4 Coleman Street, London EC2R 5AP 01-606 6611

	Bid	Offer
Insurance Fund Prices		
Far Eastern	101.8	107.2
Fd of Invst Tsts	105.8	111.4
Gilt & Fxd Int	94.4	99.4
High Income	193.4	108.8
Managed	100.1	105.4
Money	96.0	101.1
North American	110.1	115.9
Pelican	103.5	108.9
Property	95.9	100.9
Special Situations	104.3	109.8
Pension Fund Prices		
Pens Far Eastern	103.6	109.1
Pns Fd of Inv Tsts	108.8	114.5
Pens Gilt & Fxd Int	94.3	99.3
Pens High Income	105.7	111.3
Pens Managed	102.4	107.8
Pens Money	96.8	101.9
Pens N American	114.8	120.8
Pens Pelican	105.5	111.1
Pens Property	96.3	101.4
Pens Special Sits	106.9	112.5

Panel clears Racal over profit forecast

Thet Takeover Panel has absolved Racal Electronics of any lack of care in forecasts of profits for the current year made during its contest to take over Chubb and Son late last year.

Sir Ernest Harrison, Racal's chairman, last month upset the City with a warning that earnings for the year to March would be substantially below expectations. The announcement was followed by a request from County Bank, advisers to the Chubb board in the £170m bid battle, that the panel seek clarity on the projections.

The panel said yesterday that, "in view of the anticipated shortfall against the original forecast," it had held talks with Racal as well as Temple Gothard, its auditors, and Hill Samuel, its advisers.

It added: "The panel is satisfied that the forecast by Racal and the reports thereon by Temple Gothard and Hill Samuel were prepared with due care and attention."

RMC takes over McLaren for £6m

RMC Group announced it has acquired McLaren (Belford), producer of road materials, for about £6m, payment of which will be partly deferred.

The initial payment of £3.1m ing McLaren's working capital is subject to adjustment, reflecting position as shown by an audited balance sheet to be drawn up as of the date of purchase.

The remainder will be paid in cash over the two years following completion.

DPCE Dutch move

DPCE Holdings, independent computer maintenance company, has agreed in principle to purchase the Netherlands business activities of Storage Technology (Storagetek), manufacturer of IBM plug-compatible peripherals. Storagetek is trading under Chapter 11 of the U.S. bankruptcy code.

ARC acquisitions

ARC America, the U.S. construction materials division of Gold Fields ARC, has acquired the operating assets of CMC Concrete Pipe, Texas, and By-Town Pipe, Oregon. The acquisitions will add a total of $13m (£11.8m) to turnover in the first year of full ownership, the group says.

Lex in U.S. sale

Lex Service, the UK car and commercial vehicle distributor, is in "advanced negotiations" to sell its California-based subsidiary Chanslor & Lyon, a distributor of passenger car parts, to Cardis Corporation of the U.S. Details of the consideration are not supplied, but Cardis has obtained financing commitments to effect the transaction.

Dixons sells offshoot

Dixons Group is selling its subsidiary, Permaflex, manufacturers and distributors of butane gas refills and snuff, to the Imperial Group for £3m to £4m. Dixons has also sold W. R. Stotts (Shopfitters), the in-house shop fittings subsidiary of Currys, to Gilken Contracts, and Weston Farm Suplies, distributors of agricultural chemicals in Eastern England, by means of a management buy-out.

LADBROKE INDEX

Based on FT Index

968-972 (−8)

Tel: 01-427 4411

Extraction 'halted' at Papua's Ok Tedi mine

By George Milling-Stanley

THE OK TEDI mine in Papua New Guinea stopped extracting ore on Sunday, in line with the Government's timetable for the closure of the $1.6bn (£1.4bn) project, according to Mr Francis Pusal, Minerals and Energy Minister.

The Government, which has a 20 per cent stake in the venture, ordered the closure after a dispute with its private sector partners over the timing of the proposed second stage of development. If the remainder of the timetable is followed, all operations at Ok Tedi will cease on February 28.

Mr Paias Wingti, Deputy Prime Minister, said in Hong Kong yesterday that the Government would have to cut spending if the mine were forced to close, but the country was prepared to make necessary sacrifices.

Mr Wingti is leading a delegation of officials in talks with the project's bankers. Reports from Hong Kong suggest that the Papua New Guinea Government has offered new concessions to its partners, who have yet to respond.

The concessions include halving the capacity of the hydro-electric power scheme required from 50 to 25 megawatts, and an offer to finance the construction of the scheme for two years.

The Government is also believed to be prepared to consider putting an additional Kina 250m (about £230m) into the project if the partners agree to its proposals for keeping the mine open.

Revenue loss unlikely in OFS gold mines merger

BY KENNETH MARSTON, MINING EDITOR

MR PETER GUSH, chairman of Anglo American Corporation's gold division, emphasised in London yesterday that the proposed merger of the South African group's Orange Free State gold mines would be "tax neutral;" the tax liability of the big merged operation would be similar to that of the combined total of the present separate companies.

This would appear to allay earlier fears that the scheme might be rejected by the South African Government on grounds of lost revenue. However, a new tax and lease formula for the combined operation will be needed to replace the formulae applying to the present separate mines, and Anglo American has already made suggestions on this score to the Government.

Each South African gold mine is given a lease formula which regulates payments to the state for the right to mine which are in line with the mine's likely profitability, taking into account the various factors involved. The accompany tax formula provides for tax payments on a sliding scale geared to ongoing profits with the important offset of capital spending.

Application for the merger has been made to the Department of Minerals and Energy and is being studied. It is hoped that a decision will be received before June, after which it would take about two months for the plans to be implemented.

Mr Peter Gush, chairman of Anglo American's gold division

The most straightforward course would be for one company to control the enlarged operation. However, in order to meet objections to this by those institutional investors who are limited to putting a maximum of 5 per cent of their funds in any one company, Anglo may opt for two, or perhaps three, ongoing companies in order to allow such investors to maintain their present overall investment.

The companies involved in the merger are: President Brand, President Steyn, Free State Geduld and Western Holdings. While the terms of the merger have yet to be worked out, there is the possibility of shareholders in one or more of the companies objecting to a dilution of their interests.

Mr Gush said that the valuations would be based on market values and the lives of the individual mines. He added that, these days, the separate companies had much in common with a similarity in ore grades—ranging from 4.5g to 6g gold per tonne—were large operations and were involved in heavy capital expenditure.

The mines, which were developed in the 1950s, are now past their prime. But they still have large ore reserves, totalling some 350m tonnes and containing around 2,500 tonnes of gold. Assets of the companies involved amount to about R2.5bn (£1.2bn) and total capital spending is running at around R300m-400m per year.

A combined operation would create the world's biggest gold mining complex which, with an annual ore milling rate of 20m tonnes, would produce about 113 tonnes of gold a year and last well into the next century. The biggest gold producers at present are South Africa's Vaal Reefs and the Soviet Union's Murantau, each with an annual output of around 80 tonnes.

Genbel shows modest fall at halfway

The South African Gencor group's predominantly mining investment company, Genbel Investments, announces net profits of R34.3m (£16.6m), equal to 106 cents per share, for the six months to December 31 1984, compared with R34.9m in the same period of the previous year. The interim dividend is unchanged at 65 cents.

The latest net asset value equals 3,077 cents (£14.89) per share compared with an adjusted 2,785 cents a year ago. The shares were £10.25 in London yesterday.

As already reported, Genbel has issued DM 100m (£27.9m) of 8 per cent bearer bonds (with a life of six years) at an issue price of 99.5 per cent. The company intends to use the proceeds to expand its interests outside South Africa into mining and natural resource investments in North America and elsewhere.

IN BRIEF

South Africa's Zandpan Gold Mining made net profits of R7.16m (£3.2m) in the six months to the end of 1984, up from R6.52m in the first half of the previous year. Earnings per share came out at 5.5 cents against 5 cents. The company's principal interest is a stake of around 17 per cent in the Hartebeestfontein gold mine.

The market value of this investment was R220m at the end of the half-year, up from R198m the year before, compared with a book value of R20.9m.

* * *

Endeavour Resources, the natural resources arm of Mr Alan Bond's group of companies in Western Australia, has improved the tonnage and grade of ore reserves at its Meekatharra gold prospects in the Murchison gold field. On the basis of the latest drilling results from the Blue Bird area, reserves are now put at 1.4m tonnes at an average grade of 4.6 grammes of gold per tonnes, compared with earlier estimates of 1.3m tonnes at 4.2 grammes.

UK COMPANY NEWS

Jason Crisp on the City's less-than-enthusiastic reaction to STC's £168m rights issue

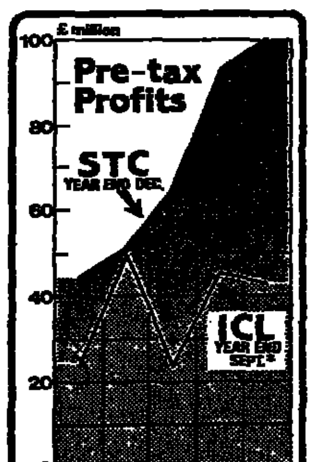
Struggling for breath in the dash for growth

Standard Telephones and Cables's £168m rights issue yesterday *failed to impress the City.* **The issue was accompanied by the announcement of poor estimated results for 1984 and that the company only had very modest expectations for the current financial year. As a result the share price plunged 34p to 200p, just 10p above the issue price.**

STC's dash for growth has clearly halted this year as it struggles with a number of problems and digests the purchase of ICL, Britain's only mainframe computer company, which it bought last autumn. Sir Kenneth Corfield, chairman and chief executive of STC, warned that 1985 was to be a year of consolidation and gave little indication that there would be any significant growth. But he said it was still an objective to double in size every five years.

Sir Kenneth Corfield, chairman and chief executive of STC

> **STC is to raise approximately £168m after expenses by a one-for-five rights issue of around 91m new ordinary shares at 190p per share. ITT (UK), which holds approximately 24 per cent of STC's ordinary shares, has undertaken to subscribe to its full entitlement under the issue, and the balance has been underwritten.**
>
> **The directors of STC estimate that pre-tax profits of the group for calendar 1984 was £140m. Following the merger of ICL with STC last September, this estimate includes the results of ICL for the same period and is after rationalisation costs of £15m in ICL and exceptional credits of £6m in STC. It breaks down as to STC £100m (£92m actual) and ICL £43m (£47m actual). Interest on the cash element of the merger accounted for 3m.**
>
> **The directors intend to recommend a final dividend of 5.75p net per ordinary share in respect of the year—as forecast at the time of the merger—making a total of 9p, an increase of 20 per cent.**
>
> **Investment in R & D will continue at a high level in the current year, say the directors. Over the past three years the two groups have spent a total of £390 on R & D and £312m on capital additions.**
>
> **Shareholders funds are estimated at around £400m at year end, and net debt at £260m. By January 25 the latter had risen by about £100m due to tax and other payments.**



The acquisition of ICL has added computers to STC's main businesses of telecommunications and electronic components, but the company's sales are still predominantly in the UK. It is trying to break into international markets but against fierce competition from much larger U.S. and Japanese players.

At home it faces a much more difficult environment: liberalisation of the telecommunications business has increased competition, while STC is losing important switching business from British Telecom.

STC says the main reason for the rights issue is to maintain spending research and development and capital investment. But with debts of nearly £370m compared with shareholders' funds of £400m the company feared it might have to cut investment in new technology. "R and D and capital expenditure is the lifeblood of this (information technology) industry," said Sir Kenneth.

However, STC — together with ICL — is only expected to spend about £155m on research and development this year compared with £150m in 1984. Capital expenditure is expected to remain the same at about £153m.

STC's profit estimate of £94m for the year ending December 1984 shows an increase of only £2m — on a comparable basis — with last year's £92m. However, STC will report a profit of £100m as it has included £6m in exceptional credits which include reclassification of assets and changed depreciation together with the revaluation of certain stock items.

ICL profits in the year ending December 1984 were £43m compared with £47m in the year to September 1983, after allowing rationalisation costs of £15m. Sir Kenneth said the rationalisation costs were made in anticipation of their being incurred and would cover the latest redundancies announced two weeks ago.

Last year STC's turnover — excluding ICL — rose £105m to £1,026m. The relatively poor profits were the result of a number of problems which incurred in the second half of the year, particularly the final quarter. Sir Kenneth indicated yesterday that he did not expect a significant improvement until the final quarter this year.

Telecommunications remains STC's largest single business and British Telecom accounts for just under 30 per cent of STC's sales excluding ICL. The largest proportion of profits comes from the TXE4A exchanges although this is now falling as BT's ordering has passed its peak as it gears up for System X, the new family of digital exchanges made by GEC and Plessey.

When the TXE4A orders wind down in 1987 STC will no longer be a significant supplier of main exchanges to BT, once its core business. STC expects to have substantial follow-on business in spares, maintenance and enhancement of TXE4A after 1987.

STC said it spent £8m adapting System 12, the digital exchange developed by ITT Corporation, its former parent company which still owns 24 per cent, for the UK market. STC failed to get on BT's shortlist to supply an alternative exchange to System X although it is still in the running to supply Mercury Communications.

STC's Information Terminals Division, which makes office telecommunications products, like teletype terminals, made a loss last year. The division has been substantially reorganised and merged with ICL's business systems activities, involving heavy redundancies. Sir Kenneth said it would be profitable in 1985.

The submarine cables business improved its profitability with the completion of the Anzcan cable which linked Australia and Canada. However, STC lost £3m in December transporting a cable to the Far East and hiring a ship for a segment of the Singapore to Hong System. The company says that because of administrative reasons beyond its control the laying of the segment was delayed and it had to bring the cable back to the UK. The loss may be recoverable.

International Aeradio (IAL) showed a small increase in profits but has been hit by slow payments, deferred orders and delayed renewals of contracts in the Middle East. STC says that profits in the electronic component and distribution business grew significantly in 1984 with "electron devices, micro devices and distribution businesses performing particularly well."

However STC had problems with capacitors and power components because of technical difficulties in getting new products into production. The electronic components business is also likely to have been hit by the slump in the market in late autumn which is likely to continue for some time this year. The company said there had been significant destocking by the military and other customers in the last three months of 1984. STC said it had had a reasonable return from its semiconductor business and that its new wafer plant at Foots Cray would be commissioned later this year.

Sir Kenneth emphasised how pleased he was with the purchase of ICL which he called a "national treasure." He said that deliveries of the new DM1 mainframe computer, one of the main planks in ICL new product strategy, had started. He said that sales of ICL's One-Per-Desk terminal which combines a personal computer with a sophisticated telephone could reach £100m next year.

Harrisons continues its pursuit of Pauls' shareholders

BY ALEXANDER NICOLL

Harrisons and Crosfield, the plantations, chemicals, timber and trading group, said yesterday that its offer for Pauls would provide shareholders in the animal feed, malt and flavours concern with a 27 per cent increase in capital value and a 77 per cent boost to income.

Like the initial announcement of the £101m bid, the formal offer document avoided criticism of Pauls' record, reiterating that Pauls would "operate as a separate division enjoying a large measure of autonomy, in line with H and C's long standing general management philosophy."

Terms of the bid are 0.75 H and C shares, worth 327p at yesterday's closing price of 436p, down 4p, or 320p in cash for each Pauls ordinary share, and 80p for each preference share.

Mr Thomas Prentice, H & C chairman, noted that Pauls' share price was higher than the plantation group's offer—it closed unchanged yesterday at 360p. He said this reflected speculation about a higher offer and added: "Shareholders may therefore wish to consider selling their shares in the market while the share price remains at this high level."

J. Henry Schroder Wagg, the merchant bank advising Pauls, retorted: "The market is a better guide to the share price level than the chairman of the offeror company. Shareholders should ignore Mr Prentice's comments."

Schroders said the proposed exit price-earnings ratio of 13.2 was "mean by any standards." On the document as a whole, Pauls' advisers said: "They have not said where value is being added to the business in this proposal. We believe Pauls shareholders should reap the benefits of their investment and not allow them to be taken away by Harrisons."

H & C, which is being advised by Baring Brothers, is seeking Paupls as an agricultural business in temperate climates to complement its existing tropical interests. Pauls, it said, would "become the flagship for a sizeable new mainstream activity."

H & C is forecasting a 45 per cent increase in pre-tax profits for 1984, to £82m. Its 47-page offer document also includes full listing particulars in line with the Stock Exchange's new listing requirements incorporated in the rewritten Yellow Book which took effect at the beginning of this year.

The particulars contained no significant disclosures, but more details about H & C's businesses, financial record and directors than would be necessary in an offer document without them.

H & C's total bank loans and overdrafts stood at £124.5m at January 21, 1985, compared with £92.9m at the end of 1983.

J. Causton pulls out of textiles with £0.25m sale

Sir Joseph Causton and Sons, which is in the process of being taken over by fellow specialist printer Norton Opax, is withdrawing from the textile business with the sale of John Crowther Group of its Lennox Knitwear division.

The deal, although not one of Norton Opax's acquisition terms, carries its blessing.

Crowther, a Huddersfield-based woollen yarn and fabric manufacturer, is funding the £245,000 purchase through a vendor placing of 666,667 of its shares, representing 7.33 per cent of expanded capital. It is paying a further £245,000 in cash for two properties from which Lennox operates.

In announcing the purchase, Crowther also gave estimates of its own results for the 1984 calendar year. Pre-tax profits are put at £514,000, compared with a £227,000 outcome in 1983, on turnover up some 48 per cent from the previous year's £7.33m.

The advance reflects in part the inclusion of six months' trading at Grantwear, a Leeds maker of men's trousers for the chain store market, which it acquired—also through a share placing—last June.

Crowther said it expected to boost its dividend for the year from 1p to 1.5p net per share. Its order book was now running at double the level of the same time last year, with exports doing particularly well.

Profits at Lennox for the year to January were £81,855 against £211,890 in the previous period —a fall attributed by Crowther to changing business patterns, but which was already being remedied.

Mr Trevor Barker, Crowther's chairman, said the benefits of a change in strategy by Lennox management and a capital spending programme were starting to show through, and market share was expected to increase.

The amount paid for the Lennox business, equivalent to estimated net asset value at January 31, is subject to adjustment after an audit.

Heelamat expands outlets

With profits for the second quarter well ahead, Heelamat Holdings, the USM operator of heel bars, has almost managed to maintain its figure for the half year endedo October 27 1984.

Chairman Mr Mike Strom feels this is a "commendable outcome," and says he is pleased with trading so far in the second half.

He already warned shareholders that the exceptionally dry summer last year was affecting performance, and that the first quarter bore the entire brunt of the downturn. However, an improved second quarter meant that the pre-tax profit was only marginally lower at £125,000 against £136,000.

The interim dividend is being held at 2p net per share. The chairman and his wife converted all their 2.5m non-participating convertible shares into an equivalent number of ordinary in October, and have waived the interim on an aggregate of 1.75m ordinary amounting to £35,000.

So far in the current year the company has opened and relocated nine units and is presently trading from 105 locations. It is envisaged that a further three will be opened by April 27.

Stonehill upturn accelerates

INVESTMENT in new production techniques and products is paying off for the furniture making group Stonehill Holdings. It has continued its recovery and in the 32 weeks ended November 11 1984 made a pre-tax profit of £504,000; and it is raising the interim dividend from 1p to 3p net.

The interim profit compares with £440,000 achieved in the preceding 20 weeks, and with a loss of £54,000 in the corresponding period of 1983. The interim dividend matches the whole payment made for the year ended April 1 1984.

The investment has led to an increase in sales in the Stateroom, Beautility and Brookdale divisions, and provided the basis for a complete range of furniture for Uniflex, a newly formed subsidiary.

Sales to overseas markets are greater than last year and it is planned to increase them further by strengthening the export team and penetrating new markets.

During the year Stonehill acquired factories formerly occupied by Uniflex Furniture, together with the plant, machinery, goodwill and trade marks.

These additional facilities will give impetus to the improved trading the company has achieved, and when the current national industrial disputes are settled, results should improve further, the directors forecast.

Turnover for the 32 weeks advanced from £8.9m to £10.68m, from which a trading profit of £661,000, against £95,000 was earned. Tax this time takes £227,000 (nil) to leave earnings at 4.2p per share (loss 1.71p). Last year there was a £43,000 loss on property disposal, charged as an extraordinary item.

Wolstenholme backs new U.S. colour process

Wolstenholme Rink, which serves the printing and graphic arts markets, is backing a new process for the colouring of photostat copies developed by the Omnicrom System Corporation of the U.S. The new process can provide a wide variety of colours for use after photostating, and allows the introduction of metallics such as gold, silver and other speciality effects.

Omnicrom is now able to go ahead with marketing products already developed and sales are planned to begin in North America during next month. Wolstenholme stresses that the full potential of the new process can only be judged accurately once it has been commercially exposed, but its success could have a material effect on the growth and profitability of Wolstenholme.

Wolstenholme has taken a 49 per cent stake in the equity of Omnicrom at a cost of $50,000, and has guaranteed a line of credit of up to $800,000. Of the latter, Omnicrom has used $536,000 to buy all the assets, business and know-how relating to the new process previously owned by Color Magic and to settle that company's liabilities; and will use the balance for working capital.

The balance of the shares in Omnicrom is held as to 25 per cent by the inventors of the process and as to the remainder by two U.S. businessmen with experience in the graphic arts and office supplies markets.

Wolstenholme has obtained world rights outside North America for the production and marketing of the process, free of royalty payments, and has set up a UK subsidiary Omnicrom Systems Ltd. Sales are expected to start towards the end of the first half of the current year.

Shake-up at UB's frozen foods side

By Carla Rapoport

United Biscuit's frozen foods division yesterday announced a change in its management structure which it said was aimed at expanding the business.

Curently the third largest frozen food group in the UK, the division has been providing disappointing results since it was formed in 1979. In 1982, the group earned £0.6m in trading profits on sales of £75m, and a year later made trading profits of £1m. Henderson Crosthwaite, the London stockbrokers, estimate profits were £750,000 on sales of £115m last year.

The changes announced yesterday will establish a main board responsible for all aspects of the frozen food business. It will replyace the separate boards of Alveston Kitchens, McVitie's Frozen Foods and UB Frozen Foods Head Office. TFC-Sorge and Vincent Sorge Retail will continue as separate operations.

Bush Radio

At the annual meeting of Bush Radio, Mr Mark Futter, the chairman, said that the directors were confident of "another highly successful year." All sectors were progressing according to the management plan.

The company has adhered to its policy of not entering into excessively volatile markets, concentrating efforts in those areas it knew best.

He added that Bush had successfully minimised the impact of the recent falls in the value of sterling by a combination of forward currency purchases, increased production of UK manufactured audio products, continued introduction of new models and the recent entry into export markets.

Humberside Electronic to keep faith with R&D plan

THE POLICY of research and development expansion is to be continued at Humberside Electronic Controls, which yesterday announced a substantial increase in midway pre-tax profits.

The directors state that without such expenditure the progress made to date would quickly disappear, and the company would share the fate of many UK machine tool companies which have ceased trading because they did not devote funds to keep abreast of modern technology.

The group, which trades in the retrofitting and servicing of electronically controlled machine tools, showed a five-fold increase in profits in the six months to November 30 1984, from £9,921 to £51,813. The result follows on from the £81,332 profit achieved in the last full period, and represents further progress away from the £156,471 losses incurred in 1982/83.

The profits are in line with the company's internal monthly projections, and the strength of the current order book should generate an increasing return in thet current half, say the directors. They remain convinced that the trading policy is correct, and that the company is now beginning to reap the benefits from past investment.

Dividends have not been paid on the group's ordinary shares, which are traded on the USM, since 1982, but the directors intend to recommend a recommencement of payments for the current year. Earnings are stated at 0.3p per 10p share, against 0.057p restated to allow for a rights issue in November 1983.

Turnover rose from £272,497 to £316,328 in the period under review. The pre-tax figure includes capitalisation of R & D at £50,042 (£80,000), but is after depreciation and R & D written off at £45,000 (£23,060), and bank and loan interest of £31,039 (£35,104).

Despite the commitment to R & D, research expenditure is at a reduced level so far this year, say the directors, as the benefit of previous development work on repeat business occurs.

They also say that the unrelieved tax losses brought forward should fully offset the liability for corporation tax.

Looking forward, they say that a further considerable order has been secured since the beginning of 1985 and the company has sufficient contracts to keep the work force fully occupied for the remainder of this financial year.

Of equal importance, it has recently submitted tenders for substantial projects and has every confidence, "in view of the high technical reputation enjoyed by the company," that several of these tenders will be accepted.

TR City of London

Net asset value per 25p deferred stock unit at TR City of London Trust stood at 101.3p at December 31 1984, compared with 84.3p at June 30. A second interim dividend of 0.775p is being paid in line with the board's decision in the last annual report that a total dividend of not less than 3.1p would be paid in equal instalments.

Earnings per unit for the half-year increased by 12.3 per cent from 1.38p to 1.55p. Gross revenue for the period rose by 25.7 per cent from £2.21m to £2.77m, and the directors say the large rise is partially attributable to revenue earned on the proceeds of the £6m 11½ per cent debenture placed in February 1984. After deducting interest on the new debenture, the increase in gross revenue is 10.1 per cent.

Lord Remnant, the chairman, says the outlook for the trust's earnings in the second half is "favourable."

Protimer profits up

Protimeter got off to a good start in the current year, with taxable profits moving ahead from £174,000 to £206,000 in the six months ended December 31 1984. Turnover improved from £562,000 to £630,000.

Following this encouraging start to the year's trading, the directors are confident that further satisfactory results will be achieved in the second half.

Protimeter, a manufacturer of moisture and temperature measuring equipment for crops, building materials and the atmosphere joined the Unlisted Securities Market in November 1983.

The company is not paying an interim dividend, but the directors anticipate that the final per 5p ordinary share will not be less than the 0.7p paid for 1983/84.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Investors Cap. Tst.	2.45	—	1.95	3.95	3.45
General Funds Inv.	6.75	—	6.25	9.5	9
Heelamat ....int.	2‡	May 3	2	—	5.6
Stonehill Hldgs. ......int.	3	April 10	1	—	3

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield div.(p)	%	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord. ...	142	—	6.6	4.4	7.9	9.4
151	135	Ass. Brit. Ind. CULS...	150	—	10.0	6.6	—	—
77	51	Airsprung Group	53	—	6.4	12.1	6.9	7.0
42	28	Armitage & Rhodes ...	37	—	2.9	7.8	4.6	7.7
141	108	Bardon Hill	141	+3	3.4	2.4	14.2	23.7
58	42	Bray Technologies ...	48	—	3.5	7.3	5.6	8.0
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
820	100	Carborundum Ord. ...	820	+5	5.7	0.7	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	60	—	6.5	10.8	5.7	9.2
290	182	Frank Horsell	290	+4	—	—	11.6	18.3
262	170	Frank Horsell PrOrd87	262	+4	9.6	3.8	10.1	13.3
32	25	Frederick Parker	32	—	4.3	13.4	—	—
53	33	George Blair	53	—	—	—	3.6	7.1
60	27	Ind. Precision Castings	29	+1	2.7	9.3	7.9	8.6
218	188	Isis Group	188	—	15.0	8.0	7.4	13.4
124	104	Jackson Group	104	—	4.9	4.7	4.8	9.4
285	213	James Burrough	276	—	13.7	5.0	9.8	9.8
93	63	James Burrough 9pcPf.	90xd	—	12.9	14.3	—	—
87	71	John Howard & Co. ...	87	—	5.0	5.7	8.9	12.8
167	100	Linguaphone Ord.	167	+2	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
604	300	Minihouse Holding NV	604	—	3.8	0.6	43.5	47.6
120	31	Robert Jenkins	37	+1	5.0	13.5	—	—
60	28	Scruttons "A"	31	—	5.7	18.4	18.3	3.8
92	61	Torday & Carlisle	79	—	—	—	8.8	18.0
444	370	Trevian Holdings	370	—	4.3	1.2	21.0	20.7
27	17	Unilock Holdings	25½	+½	1.3	5.0	12.4	17.8
98	81	Walter Alexander	93	—	7.5	8.0	9.2	11.2
247	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S=Suspended.
Prices and details of services now available on Prestel, page 48146

FINANCIAL TIMES

Wednesday February 13 1985

Depressed market absorbs $700m FRNs, Page 40

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WALL STREET

Severe test of confidence

WALL STREET'S confidence underwent another severe test yesterday when data processing stocks fell sharply after IBM and Data General had issued warnings on current profits trends. IBM stock suffered a further setback in another heavy trading session, and other high technology stocks weakened. The industrial stock sectors rallied from their initial uncertainty and stumbled through another day of heavy turnover. The closure of the Federal Bond markets and the New York banks for Lincoln's birthday left the credit markets rudderless.

The stock market fell by more than six Dow points in the opening minutes of the session, as investors backed off in the face of IBM's statement. Nerves steadied later but attempt to move forward was checked at mid-session. Heavy trading for the rest of the day left the blue chips mixed changes, although IBM were a weak feature, 1¾ down at $131¾ after more than 2m shares changed hands. The Dow Jones industrial average ended a net 0.55 points higher at 1276.61. Share gains and losses were in balance, while turnover of 111.8m shares was in line with recent levels.

The second line stocks, with the exception of the high technology sector, held steady. However, the lack of a lead from the credit markets left Wall Street feeling nervous over the dip in the bond prices on Monday.

A strong rebound in airline and railroad stocks lifted the Dow transportation average. United Air gained $1 to $45⅝ and Eastern Air at $5¼ put on ⅛. In Railroads, Norfolk Southern added ⅛ to $66½, awaiting the next move in the proposed Conrail deal.

IBM stock opened $1⅛ down at $131⅞ after confirming that earnings for the first quarter may not be any higher than the $1.97 a share of the comparable period. But Monday's selling bout had shaken out most of the nervous holders and although trading in the stock remained heavy yesterday, the price rallied to show a net fall of only $⅛ to $133.

A delayed start for Data General on the NYSE, on the disclosure that second quarter earnings would seriously disappoint Wall Street, left the stock price to the mercy of the third, or off-floor, markets. Jefferies, the doyen of the third market, sold 500,000 Data General shares at between $56 and $65 a share before New York traded the stock at $58½, a fall of $14⅜ on overnight.

Other high technolgy issues to weaken included digital equipment, $4⅛ to $117 on confirmation that it was halting production of its Rainbow Computer model, and Texas Instruments, $1 off at $30. Among the main frame computer makers, which now also face competition from IBM's new Sierra model, Honeywell dipped $⅝ to $61⅛, NOR shed $⅝ to $28⅞ and Burroughs at $61 gave up $⅝.

Among the personal computer makers, Apple fell $⅝ to $29¾. Commodore International traded $½ up $13¾, but a block of 200,000 share block was traded at $13.

Phillips Petroleum traded heavily ahead of Carl Icahn's announcement that he was raising his bid to $60 cash for 70m Phillips shares – just over half the equity. After a brief suspension, the stock returned at $50⅞, a gain of $⅝ on overnight.

Other oil stocks were mixed, with Occidental Petroleum $⅛ easier at $28⅛ after the results.

A recovery of $1 to $79¾ in General Motors helped the auto sector. But Eastman Kodak, which helped to drab the Dow average lower on Monday, remained dull, slipping $⅝ to $69⅝ as the market shied away from the board's disclosure that growth is blowing.

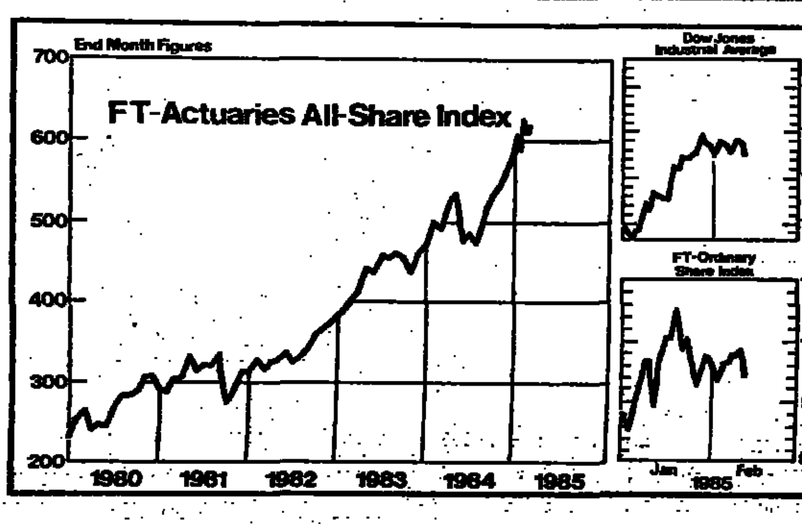
With IBM drawing attention to the effects of a strong dollar on overseas earnings, pharmaceuticals were easier. Pfizer lost $¼ to $40 and Merck, also a major seller to foreign markets, shed $½ to $96½.

But retail issues recovered some of the ground lost in recent sessions. J. C. Penney at $48¾ where $⅝ better, while May department stores gained $3 to $49.

Bank issues were steady, with BankAmerica recovering $⅝ to $19⅝ after the recent fall. Also firmer was J. P. Morgan at $46⅞, a gain of $⅝.

Money markets were lifeless in the absence from the business scene of the New York Federal Reserve banks and the Government Bond traders. Federal funds were quoted at the overnight level of 8¼ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,276.61	1,276.06	1,160.7
DJ Transport	625.33	621.24	514.55
DJ Utilities	149.67	149.31	127.17
S&P Composite	180.56	180.51	156.3
LONDON			
FT Ord	970.1	991.1	812.1
FT-SE 100	1,293.0	1,297.5	1,018.0
FT-A All-share	613.38	622.89	485.66
FT-A 500	669.35	680.71	519.40
FT Gold mines	489.7	470.8	577.7
FT-A Long gilt	10.88	10.84	10.22
TOKYO			
Nikkei-Dow	12,027.89	12,009.0	9,959.9
Tokyo SE	924.54	924.45	775.4
AUSTRALIA			
All Ord.	769.7	765.3	743.4
Metals & Mins.	435.7	431.6	518.5
AUSTRIA			
Credit Aktien	62.98	62.36	55.35
BELGIUM			
Belgian SE	2,149.84	2,155.76	–
CANADA			
Toronto			
Metals & Minls	2,187.8	2,183.69	2,186.0
Composite	2,602.1	2,602.78	2,401.5
Montreal			
Portfolio	130.99	130.88	117.48
DENMARK			
Copenhagen SE	174.95	174.26	211.12
FRANCE			
CAC Gen	197.9	199.2	163.6
Ind. Tendance	107.7	108.4	88.3
WEST GERMANY			
FAZ-Aktien	396.08	399.2	351.54
Commerzbank	1,152.5	1,161.4	1,037.2
HONG KONG			
Hang Seng	1,357.22	1,357.94	1,050.77
ITALY			
Banca Comm.	272.24	273.69	218.57
NETHERLANDS			
ANP-CBS Gen	198.1	200.4	158.7
ANP-CBS Ind	156.7	158.5	131.2
NORWAY			
Oslo SE	335.2	345.43	238.83
SINGAPORE			
Straits Times	805.51	808.94	1,060.2
SOUTH AFRICA			
Golds	859.0	848.4	901.8
Industrials	863.7	861.8	972.7
SPAIN			
Madrid SE	114.22	113.47	79.55
SWEDEN			
J & P	1,467.65	1,486.98	1,580.82
SWITZERLAND			
Swiss Bank Ind	412.3	417.2	365.9
WORLD	Feb 11	Prev	Year ago
Capital Int'l	195.3	197.1	178.9

GOLD (per ounce)

	Feb 12	Prev
London	$302.50	$300.00
Zürich	$302.75	$300.00
Paris (fixing)	$302.56	$299.57
Luxembourg	$304.00	$300.00
New York (Mar)	$302.60	$305.30

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Feb 12	Previous	Feb 12	Previous
$	–	–	1.088	1.0965
DM	3.295	3.275	3.585	3.5925
Yen	263.15	261.6	286.25	286.75
FFr	10.045	9.99	10.9225	10.94
SwFr	2.801	2.794	3.0475	3.065
Guilder	3.734	3.71	4.0625	4.0675
Lira	2,025.0	2,010.5	2,199.5	2,204.5
BFr	66.05	65.6	71.9	71.9
C$	1.33945	1.33875	1.4545	1.4665

INTEREST RATES

	Feb 12	Prev
Euro-currencies (3-month offered rate)		
£	14 9/16	13 15/16
SwFr	5 11/16	5 11/16
DM	5 5/16	6⅜
FFr	11 7/16	11 7/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 3/16	9⅛
6-month U.S.$	9 5/16	9 7/16
U.S. Fed Funds	8 5/16*	8 5/16
U.S. 3-month CDs	8.65*	8.65
U.S. 3-month T-bills	8.21*	8.21

U.S BONDS

Treasury	Feb 12 Price	Feb 12 Yield	Prev Price	Prev Yield
9⅞% 1987	closed		99 17/32	10.01
11⅝ 1992	closed		101 15/32	11.28
11¼ 1995	closed		99 9/32	11.40
11⅜ 2015	closed		99 14/32	11.31
Corporate	Feb 12		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	closed	closed	98¼	11.15
3⅜ July 1990	closed	closed	77¼	9.35
8⅜ May 2000	closed	closed	98⅝	11.75
Xerox				
10⅞ March 1993	closed	closed	96⅜	11.25
Diamond Shamrock				
10⅜ May 1993	closed	closed	95⅝	11.55
Federated Dept Stores				
10⅜ May 2013	closed	closed	89⅝	11.90
Abbot Lab				
11.80 Feb 2013	closed	closed	99¼	11.90
Alcoa				
12¼ Dec 2012	closed	closed	99½	12.30

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	71–26	71–27	71–20	71–26
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.67	91.70	91.64	91.71
Certificates of Deposit (IMM) $1m points of 100%				
March	90.95	90.97	90.89	90.99
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.58	90.64	90.55	90.75
20-year Notional Gilt £50,000 32nds of 100%				
March	102–26	103–22	102–22	103–13

COMMODITIES

(London)	Feb 12	Prev
Silver (spot fixing)	557.75p	550.00p
Copper (cash)	£1,287.00	£1,272.00
Coffee (March)	£2,388.50	£2,387.50
Oil (spot Arabian light)	$27.55	$27.45

TOKYO

Selective surge to peak level

THE ABSENCE of any strong motivations combined with Wall Street's dismal performance and the yen's continued slide against the U.S. dollar to undermine confidence in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The market entered a "corrective phase" after last week's sharp gains, with declines outnumbering advanced by 399 to 315, and 182 issues unchanged. A surge in some issues, however, sent the Nikkei-Dow market average up 18.88 to a new high of 12,027.89. With many issues pushed to the sidelines, trading was light at 389m shares, against last Friday's 436m.

Incentive-backed issues came to the fore. Takeda Chemical posted a maximum daily gain of Y100 to Y915 on the company's development of techniques to mass produce a monoclonal cancer antibody. More than 60m of the total orders for 75m shares were unfilled.

Increased demand for compact discs pushed Nippon Columbia and Sony up Y110 and Y140 to Y1,700 and Y4,290, respectively.

Investors were lured to stocks not eligible for margin trading. Seitetsu Kagaku gained Y55 to Y705 and Kantō Special Steel rose the maximum Y80 to Y446.

Mitsubishi Chemical topped the active list with 41.35m shares changing hands, on news of the company's development of a hepatitis antibody. Its price climbed Y17 to Y457.

Biotechnology-related drug shares fell back sharply. Mochida Pharmaceutical moved down the maximum Y500 to Y13,700. Yamanouchi Pharmaceutical lost Y160 to Y4,200, Dainippon Pharmaceutical Y140 to Y6,160 and Kuraray Y40 to Y1,130.

Elsewhere, Toho surged Y400 to Y10,750.

The bond market fell steeply on small-lot selling, after reports that the central bank might cut its discount rate in a bid to arrest the yen's decline against the U.S. dollar. Most institutional investors remained cautious.

The yield on the benchmark 7.3 per cent government bonds due in December 1993 jumped to 6.995 per cent from last Friday's 6.860 per cent.

SOUTH AFRICA

THE SMALL fall in the bullion price proved sufficient to take Johannesburg gold shares off their highs for the day although the underlying tone of the market was firm.

Buffels finished 50 cents higher at R63, while Driefontein managed to hold a R3.50 rise to R48.75.

Diamond miner De Beers added 15 cents to R8.70, while other miners managed modest gains. Impala finished 50 cents stronger at R23.50 although Rustenburg eased 10 cents to R15.50.

Light directionless trading left the industrial sector mixed with Barlow Rand 5 cents higher at R9.80.

CANADA

MOST SECTORS recovered early losses in Toronto in moderate trading that saw particular weakness in gold and financial issues.

Dome Petroleum, actively traded, slipped 10 cents to C$3.25, while Canadian Pacific, which is seeking shareholder approval for a three-for-one share split after its strong 1984 profits performance, was unchanged at C$59 in active trading.

Banks proved the weakest sector in broadly lower Montreal.

EUROPE

Frankfurt soured by rate concern

THE INEXORABLE advance of the U.S. dollar and Wall Street's depressed mood on Monday proved to be a potent influence on European centres which recorded widespread declines yesterday.

The mood in Frankfurt, where the Commerzbank index fell 8.9 to 1,152.5, was further soured by worries about a possible rise in the discount and Lombard rates. The bond market fell sharply under the weight of overseas and domestic selling.

International issues were hardest hit in the broad-based decline in prices, suggesting that foreign investors were selling as the market sank.

Siemens tumbled DM 10.50 to DM 531 while Daimler-Benz shed DM 5.50 to DM 626.50 and Deutsche Bank DM 7.80 to DM 396.50.

The dollar's climb failed to bolster the chemical, car and engineering sectors, areas that have benefited from the earlier advance of the U.S. currency. Porsche, however, rose DM 4 to DM 1,115 after the group reported that the strong dollar had helped it to boost net profit by 33 per cent.

BMW, however, fell DM 3 to DM 355 and Volkswagen posted a DM 2.70 decline at DM 189.

Elsewhere, Hoechst dropped DM 3.6 to DM 186 and Bayer DM 2.70 to DM 192.6.

Allianz proved to be one bright spot with a DM 21 rise to DM 1,025.

The decline in the bond market only served to deepen investor concern. The policy-making arm of the Bundesbank meets tomorrow and some fear that either the discount or Lombard rates might be lifted to try to stem the dollar's rise. It is feared that this could slow the country's economic growth and hit bourse sentiment.

Trading continued well past the official bourse session, with no immediate indication of the amount of paper bought by the Bundesbank.

Wall Street's overnight decline also contributed to the retreat in **Amsterdam**, where the ANP-CBS index slipped from its record high of 200.4 to 198.1.

The foreign investors who had helped to lift the index to its new peak failed to appear and prices turned lower in thin trading. Profit-taking after the recent solid advances also contributed to the downturn.

Royal Dutch whose strength had been responsible for much of the rise on Monday pulled the index down as the group's shares slipped from their record high to Fl 196, a fall of Fl 3.4.

Other leaders to record declines were Unilever, down Fl 3.50 at Fl 337, Hoogovens, Fl 2.40 easier at Fl 59, and Philips which settled at Fl 58.70, a Fl 1.40 loss.

Banks and insurers suffered in particular. ABN was down Fl 9 at Fl 387 and NMB slipped Fl 4.50 to Fl 180.

Océ van der Grinten, which rose to a new high on Monday with a Fl 2.50 rise, shed all of this gain to return to Fl 304. Insurer Nat-Ned was Fl 6.30 lower at Fl 273.50.

The bond market, like its German counterpart, suffered heavy losses, with leading state loans falling about 90 basis points and some showing falls of 120 points.

Buyers remained on the sidelines as domestic and foreign selling took prices lower.

The dollar's strength and rising domestic rates affected sentiment in **Zurich**. Trading volume declined sharply and profit-taking hit recently favoured stocks. Elsewhere, losses were generally smaller.

Nestlé shed SwFr 100 to SwFr 6,260 and Oerlikon-Bührle registered a SwFr 5 loss at SwFr 1,465.

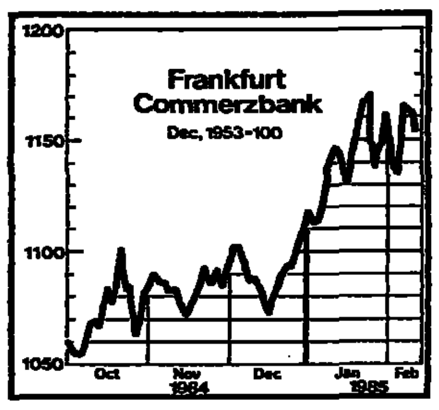
Banks saw widespread falls with UBS down SwFr 40 to SwFr 3,640 and Credit Suisse declining SwFr 45 to SwFr 2,375.

In insurers Swiss Re suffered a SwFr 225 drop to SwFr 8,950.

Bonds finished generally lower.

Prices were marked down over a broad front in Paris as New York's weakness and the strong dollar took their toll. Profit-takers were also in evidence but towards the end of the session there were some buying orders from foreign investors.

As declines outnumbered advances by a margin of nearly four to one, CIT-Alcatel fell FFr 12 to FFr 1,263 and Thomson CSF FFr 6 to FFr 489. Some electricals, however, were lifted by selective buying, which took La Telemecanique ahead FFr 95 to FFr 2,350 and Matra FFr 28 higher to FFr 1,628.



The downturn in Brussels was led by Petrofina, Belgium's largest industrial group. Profit-takers moved in to take the shares down to BFr 6,940, a fall of BFr 120.

Again the general decline was blamed on Wall Street, although investors were also said to be deterred by the lack of a Government decision on the extension of a law giving tax breaks to individual shareholds.

Of the stocks that remained buoyant, Békaert put on BFr 50 to BFr 5,050 on expectations of higher earnings.

Technical selling before settlement day brought a decline in **Milan**. Selling pressure was, however, absorbed and losses in general were small.

Fiat fell back L47 to L2,502, and in the insurance sector Ras and Generali both lost L500 – the former to L68,000 and the latter to L40,800.

IBP, the food group, climbed L552 to L5,550, continuing the series of advances triggered by the de Benedetti move to take a controlling stake in the group.

Madrid moved higher in quiet trading. All sectors recorded rises except for communications where Telefonica fell ½ point to 130.7 per cent of nominal value.

Interest rate fears sent shares lower in **Stockholm**. Prices were sharply lower in the banking, engineering and trading company sectors.

HONG KONG

STEADY OVERSEAS and domestic buying helped reverse an easier opening in Hong Kong and left the Hang Seng index 0.72 down at 1,357.22 after an early setback of nearly 9 points in the first hour of trading.

The market is forecast to retreat further as the Chinese lunar new year approaches and many investors liquidate their positions.

In the banking sector, Bank of East Asia fell 30 cents in the morning but settled steady at HK$24.40, while Hongkong Bank slipped 5 cents to HK$8.75.

Elsewhere, China Light was unchanged at HK$14.70 HongKong Electric was 5 cents weaker at HK$7.70 and Jardine Matheson eased 10 cents to HK$8.20.

Among leading shares, Cheung Kong was steady at HK$13.70, Hongkong Land firmed 3 cents to HK$4.40 and Sun Hung Kai Properties gained 5 cents to HK$9.20.

LONDON

Equities wince at rise of $

EQUITY INVESTORS in London became increasingly nervous yesterday over the possible short-term repercussions of the dollar's surge to peak levels. Sterling and other leading European currencies weakened further and money markets continued to rise with the key three months interbank rate closing at 14⅛ per cent. That put paid to any faint hope of a fall in bank base rates from the current 14 per cent level.

Confidence was also dented by Wall Street's first real setback in over six weeks and by reports that underwriters of Standard Telephones and Cables' £168m fund-raising had experienced some difficulty before completing placing arrangements for a proposed rights issue. STC shares were sold heavily after the early morning announcement and fell 34p to a year's low of 200p.

Potential buyers of other leading industrials stepped back in the face of revived offerings for private clients. From noon onwards the market became uncertain and the tone darkened throughout the afternoon, partly owing to the absence of American interest.

At the close, the FT Ordinary index, 6.2 off at 11am, was 21 points down at the session's lowest of 970.1.

Gilts remained sensitive to the trend of sterling but eased only marginally during the official hours of business. The pound's late dip below $1.09, however, brought out a few more sellers in the after-hours' trade and longer-dated stocks ended the session ⅛ down in places. The shorts eased around 3/16 and index-linked gilts were the same amount lower.

Chief price changes, Page 30; Details, Page 33; Share information service, Pages 34–35

AUSTRALIA

FIRMER METAL and oil prices injected a note of optimism in Sydney as investors chose to ignore the overnight setback on Wall Street and concentrate on resource issues, although high technology shares were also actively sought. The All-Ordinaries index ended 2.5 up at 767.7.

BHP gained 8 cents to A$5.22, CSR firmed 3 cents to A$2.71, while Bell Resources was pegged at A$4.65.

Despite the better spot oil prices oil and gas shares were mixed. Santos managed a 10-cent gain to A$5.40 and Hartogen closed 7 cents higher at A$2.35. Bridge Oil, however, retreated 5 cents to A$2.12 and Weeks Australia lost 4 cents to A$66.

SINGAPORE

THE LACK of fresh buying forced Singapore lower and trimmed 3.43 points off the Straits Times index to 805.51 on slightly higher turnover of 8.7m shares.

Sigma, most active with 540,000 shares traded, gained 9 cents to S$1.99, while OCBC rose 5 cents to S$9.25 on 523,000 shares. Sime Darby, also active, finished unchanged at S$1.90.

Banks were little changed, while in the hight-technology sector Sarich Technology Trust rose 10 cents to A$5.70.

Marine issues also fell. Far East Levingston retreated 10 cents to S$2.78 and Keppel lost 4 cents to S$1.65. Property shares were also weaker, with Singapore Land 10 cents cheaper at S$2.83 and Selangor Properties 2 cents off at S$2.01. Plantation issues failed to display any clear direction.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	18⅛	AAR	.48	2.3	16	132	20⅝	20⅜	20⅝	+ ½
24⅛	9⅞	AGS			12	48	15¾	15⅛	15¾	
18⅛	12⅞	AMCA	1	6.7		14	15⅛	14⅞	14⅞	− ⅛
17⅞	13⅛	AMF	.50	3.1	90	990	16⅛	15⅞	16⅛	+ ⅛
39¼	24⅛	ANR			9	7257	38	36¾	37¼	+ ⅞
25⅞	22⅞	ANR	pf2.67	11.		3	25	25	25	
14⅛	8½	APL			3	6	11½	11⅛	11½	+ ⅛
69¼	44⅛	ASA	2	4.0		418	51½	50½	50⅝	− ⅜
27	16	AVX	.32	1.4	14	940	23⅛	22⅝	22⅞	− ½
48¼	36¼	AbtLab	1.20	2.6	14	1948	46½	46	46⅛	− ½
25⅞	18½	AccoWd	s.44	1.8	20	27	25⅛	25⅛	25⅛	− ⅛
24⅛	12½	AcmeC	.40	2.1		70	18⅝	18½	18⅝	− ⅛
11⅞	8⅛	AcmeE	.32b	3.3	12	8	9⅝	9⅝	9⅝	− ⅛
17⅞	15	AdaEx	2.11e	13.		51	16⅝	16½	16½	
19½	11⅞	AdmMl	.32	1.7	8	86	19⅛	19	19	− ⅛
19½	8⅝	AdvSys	.51t	6.4	21	129	12⅝	12⅜	12⅝	+ ⅛
41⅛	25⅞	AMD			15	2816	35½	34⅝	35⅛	+ ⅛
12⅞	6⅞	Advest	.12	1.0		337	11⅝	11⅜	11½	
14⅝	8⅛	Aerflex			14	32	14⅛	13⅞	14	− ⅛
42⅞	27⅛	AetnLf	2.64	6.5	34	1051	40⅞	40⅝	40⅝	+ ⅛
58⅛	52⅛	AetL	pf5.87e	11.		251	55⅞	55⅜	55⅛	− ⅛
32⅛	15⅛	Ahmns	1.20	4.2	17	394	29	28⅞	28⅝	− ⅛
4⅞	2⅝	Aileen			31	13	3⅛	3	3⅛	
50	35½	AirPrd	1.20	2.6	11	1239	46⅛	45⅞	46⅛	+ ⅜
24⅛	13	AirbFrt	.60	2.8	12	232	22⅛	21¾	21¼	− ½
2	⅞	AlMoa	s		27	489	1⅞	1⅛	1⅞	
27⅛	21	AlaP	pf2.94e	11.		13	26	26	26	+ ½
31⅛	26⅛	AlaP	pfA3.92	12.		8	u32	31⅛	32	+ ½
7½	6	AlaP	dpf.87	12.		60	7½	7⅛	7½	
68½	67	AlaP	pf8.16	12.		131	67	67	67	− ½

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

X–Y–Z

12 Month High	Low	Stock	Div. Yld. P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45	33¾	Xerox	3 6.9 17	7184	44	43⅝	43¾	–¼
51⅛	45¾	Xerox	pf5.45 11	759	u51¼	51	51	–⅛
29	19	XTRA	2.3 10	204	28	27⅛	27⅜	–⅝
29	24	ZaleCp	1.32 4.8 9	27	28⅛	28½	28¾	+¼
24⅝	14½	Zapata	.84 5.0 23	189	16⅞	16⅝	16⅞	+¼
57¼	30	Zayre	.40b .7 15	1253	55⅝	52⅝	54¼	–1½
31¼	18⅛	ZenithE	8	1168	23⅞	23⅝	23⅝	–¼
27¼	18	Zero	.40 1.6 18	27	24⅝	24⅛	24¼	–⅞
31⅛	21¼	Zurnin	1.32 4.4 11	379	29⅝	29¼	29¼	–⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the *new* stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Feb. 12	Price Sch %	+ or −
Creditanstalt	230	......
Goesse	387	+5
Interunfall	435	+3
Laenderbank	227	+1
Perlmooser	338	......
Steyr-Daimler	157	+2
Veitscher Mag	312	+7

BELGIUM/LUXEMBOURG

Feb. 12	Price Frs.	+ or −
B.B.L.	1,840	+15
Banq. Int. A. Lux	5,620	......
Bekaert B	5,050	+50
Ciment CBR	2,630	−65
Cockerill	262	−1
Delhaize	6,800	......
EBES	2,780	......
Electrobel	6,100	−10
Fabrique Nat	2,095	+5
GB Inno BM	2,855	−5
GBL (Brux)	2,000	−20
Gevaert	3,650	−50
Hoboken	5,940	−10
Intercom	2,060	......
Kredietbank	7,760	+10
Pan Hldgs	11,200	......
Petrofina	6,940	−120
Royale Belge	10,350	+50
Soc Gen. Banq	3,220	+5
Soc. Gen. Belge	1,825	+20
Sofina	7,310	−70
Solvay	3,990	−20
Stanwick Intl.	1,500	+10
Tractionel	3,930	+10
UCB	4,800	−25
Wagon Lits	2,400	−15

DENMARK

Feb. 12	Price Knr %	+ or −
Andelsbanken	294	−1
Baltic Skand	595	+5
CopHandelsbank	299	+1
D. Sukkerfab	540	......
Danske Bank	294	......
De Danske Luft	1,210	......
East Asiatic	176	+8
Forenede Brygg	810	......
Forenede Damp	93	−1
GNT Hldg	403	+3
I.S.S.B.	372	......
Jyske Bank	540	......
Novo Ind.	1,885	......
Privatbanken	243	......
Provinsbanken	290	......
Smidth (F)	234	+1
Sophus Berend	920	......
Superfos	459	−1

FRANCE

Feb. 12	Price Frs.	+ or −
Emprunt 4½% 1973	1601	......
Emprunt 7% 1973	7,400	+45
Accor	263.3	−1.2
Air Liquide	611	−9
BIC	554	+4
Bongrain	1,601	−22
Bouygues	744	−15
BSN Gervais	2,390	−10
CIT-Alcatel	1,263	−12
Carrefour	1,920	−30
Club Mediter'n	1,239	−16
Cie Bancaire	611	−2
Cofimeg	265.8	+0.6
Damart	2,300	−35
Darty	1,165	−19
Dumez S.A.	680	−9
Eaux (Cie Gen)	561	......
Elf Aquitane	235	−1
Essilor	2,920	−30
Gen. Occidentale	748	+2
Imetal	80	−1.1
Lafarge Coppee	411.5	−2
L'Oreal	2,265	......
Legrand	2,068	+3
Maisons Phenix	190.1	−4.9
Matra S.A.	1,628	+28
Michelin B	972	−10
Midi (Cie)	2 2 [illegible]	−14
Moet-Hennessy	1 9 [illegible]	−40
Moulinex	102.5	−0.3
Nord Est.	75.4	−2.1
Pernod Ricard	678	......
Perrier	505	−2
Petroles Fra.	253	−4.9
Peugeot S.A.	187	−3.5
Printemp.Aus	200	−2.5
Radiotech	248	+2.9
Redote	1,270	......
Rousul Uclaf	1,574	+9
Sefimeg	322	+2
SkisRossignol	2,041	−19
Telemech Elect.	2,350	+95
Thomson CSF	489	−6
Valeo	248	+0.5

GERMANY

Feb. 12	Price Dm.	+ or −
AEG-Telef	109.9	−1.9
Allianz Vers	1,825xr	+21
BASF	182.9	−1.9
Bayer	192.6	−2.7
Bayer-Hypo	316	−3
Bayer-Verein	321	−6
BHF-Bank	278	−1
BMW	355	−3
Brown Boveri	190	−0.6
Commerzbank	164	−3.5
Cont'l. Gummi	117.6	−2.7
Daimler-Benz	626.5	−5.5
Degussa	363	−5
D'sche Babcock	187	−2.5
Deutsche Bank	396.5	−7.8
Dresdner Bank	185.3	−3.2
GHH	159	−3.5
Hochtief	470	......
Hoechst	186	−3.6
Hoesch Werke	104.5	−4.2
Holzmann (P)	380	−11
Horten	163	−4
Hussel	292	−1
Karstadt	206	−3
Kaufhof	205.5	−1.5
KHD	250xr	−1.5
Kloeckner	75.5	−6.5
Linde	406	+2
Lufthansa	189	......
MAN	156.1	−1.4
Mannesmann	151.5	−2.5
Mercedes Hld	545	−8.4
Metallgesell	238.5	+2.6
Munech Rueck	1170	......
Nixdorf	533	......
Porsche	1,115	+4
Preussag	252.2	−2.8
Rhein West Elect	161.5	−0.8
Rosenthal	250	+1
Schering	469	−8
Siemens	531	−10.5
Thyssen	94.3	−3.5
Varta	176	−4
Veba	166	−1.8
V.E.W.	122.7	−0.3
Verein West	309	......
Volkswagen	189	−2.7

ITALY

Feb. 12	Price Lira	+ or −
Banca Com'le	18,500	−200
Bastogi IRBS	178	−5
Centrale	2,769	−35
Credito Varesino	4,439	−61
El-Invest	2,925	......
Fiat	2,502	−47
Finsider	56	......
Generali Assicur.	40,800	−500
Italcementi	80,300	−400
La Rinascenti	625	−6
Montedison	1,506	......
Olivetti	6,701	+51
Pirelli Co.	4,440	−33
Pirelli Spa	2,280	−50
Snia BPD	2,715	−35
Toro Assic	15,500	−199
do. Pref	11,270	−330

NETHERLANDS

Feb. 12	Price Fls	+ or −
ACF Holding	190.5	−1.5
AEGON	155	−2.5
Ahold	213.5	−4
AKZO	103.2	−1.8
ABN	287	−9
AMEV	211.8	−3.2
AMRO	73	−2.2
Bredero Cert	159	−0.5
Bos Kalis Westm.	14.2	+0.1
Buehrmann-Tet.	84	−2.2
Calland Hldgs	33.7	−0.2
Dordtsche Pet'm	173.5	−3.1
Elsevier-NDU	111.4	−3.4
Fokker	93.5	+1.2
Gist Brocades	176	−3.5
Heineken	155	−2.7
Hoogovens	59	−2.4
Int Mueller	40.7	−1.1
KLM	48.8xc	−0.8
Naarden	48	−0.7
Nat Ned Cert	273.5	−6.3
Ned M d Bank	180	−4.5
Nedlloyd	161.4	−1.6
Oce Grinten	304	−2.5
Ommeren (Van)	27.6	−0.6
Pakhoed	66.2	−1.2
Philips	58.7	−1.4
Robeco	74.4	−0.5
Rodamco	137	−0.2
Rolinco	68.1	−0.5
Rorento	43.5	−0.2
Royal Dutch	196	−3.4
Unilever	337	−3.6
VMF Stork	148	......
VNU	207	−4
West Utr Bank	103.5	−1.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Feb. 12	Price Kroner	+ or −
Bergens Bank	166.5	−2.5
Borregaard	414	−21
Christiania Bank	160.5	−2.5
DenNorske Cred	164	......
Elkem	149.5	−3.5
Kvaerner	192.5	−17.5
Norsk Data	430	−10
Norsk Hydro	112	−5
Storebrand	227.5	−12.5

SPAIN

Feb. 12	Price Pta %	+ or −
Bco Bilbao	320	+2
Bco Central	320	......
Bco Exterior	200	......
Bco Hispano	165	+4
Bco Popular	376	+7
Bco Santander	330	......
Dragados	176.5	+1.5
Hidrola	94	+2.3
Iberduero	104	+0.5
Petroleos	163	......
Telefonica	130.7	−0.5

SWEDEN

Feb. 12	Price Kronor	+ or −
AGA	375	+2
Alfa-Laval	199	−7
ASEA (Free)	350	......
Astra (Free)	485	......
Atlas Copco	117	−1
Cardo (Free)	275	......
Cellulosa	130	−1
Electrolux B	307	−10
Ericsson	290	−3
Esselte	340	+15
Mo Och Domsjo	262	−8
Pharmacia	214	+1
Saab Scania Free	450	+6
Sandvik	395	+5
Skandia	301	−1
Skan Enskl'da	64	−1
SKF	197	−2
St Kopparbergs	169	−2
Sven Handlesbn.	176	−3
Swed'sh Match	242	−1
Volvo B (Free)	288	−6

SWITZERLAND

Feb. 12	Price Frs.	+ or −
Alusuisse	840	−18
Bank Leu	3,700	−50
Brown Boveri	1,545	−29
Ciba Geigy	2,815	−50
do. (Part Certs)	2,235	−30
Credit Suisse	2,375	−46
Elektrowatt	2,675	−45
Fischer (Geo.)	715	−10
Hoff-RochePtCts	85,875	−1125
Hoff-Roche 1/10	8,600	−50
Jacobs Suchard	6,325	−50
Jelmoli	1,940	−10
Landis & Gyr	1,550	−20
Nestle	6,260	−100
Oer-Buehrle	1,465	−5
Pirelli	281	−7
Sandoz (Br)	8,000	−100
Sandoz (PtCts)	1,330	−23
Schindler (PtCts)	710	−33
Sika	1,050	−30
Surveillance	4,115	−20
Swissair	1,090	−10
Swiss Bank	368	−3
Swiss Reinsce	8,950	−225
Swiss Volksbk.	1,490	−15
Union Bank	3,640	−40
Winterthur	3,700	+10
Zurich Ins	20,250	+25

AUSTRALIA

Feb. 12	Price Aust $	+ or −
ANZ Group	4.63	......
Alliance Oil Dev.	1.05	−0.02
Ampol Pet.	1.76	+0.01
Ashton	0.77	......
Aust Cons Ind.	1.91	......
Aust. Guarantee	2.64	+0.02
Aust. Nat. Inds	2.55	......
Aust. Paper	2.5	......
Bell Group	5.3	+0.1
Bell Res	4.65	......
Bond Corp Hldgs	1.25	−0.02
Boral	3.32	......
Bougainville	1.9	+0.05
Brambles Inds	3.7	−0.01
Bridge Oil	2.12	−0.05
B.H. Prop	6.22	+0.08
CRA	5.9	+0.06
CSR	2.71	+0.03
Carlton Utd	4.30	......
Castlemaine Tys.	4.73	+0.01
Coles (C.J.)	4.05	......
Comalco "A"	2.37	−0.02
Consolidated Pet	0.47	−0.05
Costain Aust	1.3	......
Dunlop Aust.	2.18	−0.03
Elders IXL	3.02	−0.03
Energ Res.	1.42	−0.02

AUSTRALIA (continued)

Feb. 12	Price Aust. $	+ or −
Gen Prop Trust	2.18	+0.02
Hardie (James)	3.02	+0.02
Hartogen Energy	2.35	+0.07
Herald W'yTimes	4.1	+0.08
ICI Aust.	1.97	−0.03
Jimberlana F.P.	0.3	......
Kia Ora Gold	0.14	+0.01
Lend Lease	5.7	−0.04
MIM	2.52	+0.02
Mayne Nickless	3.19	......
Myer Emporium	1.88	−0.03
Nat. Aust. Bank	3.6	−0.03
News	12.4	......
Nicholas Kiwi	1.85	......
North Bkn Hill	2.16	+0.03
Oakbridge	0.83	......
Pancont'l	1.98	−0.08
Pioneer Conc.	1.64	−0.01
Poseidon	2.65	+0.05
Queensland Coal	1.27	+0.02
Reckitt & Coln.	3.22	−0.03
Repco	1.16	+0.01
Santos	5.4	+0.1
Smith (Howard)	3.65	−0.05
Thos. Natwide	1.98	−0.05
Tooth	5.8	−0.1
Vamgas	3.4	......
Western Mining	3.14	+0.04
Westpac Bank	3.5	......
Woodside Petrol.	0.84	−0.01
Woolworths	3.2	......
Wormald Intl	3.43	+0.11

HONG KONG

Feb. 12	Price H.K.$	+ or −
Bank East Asia	24.4	......
Cheung Kong	13.7	......
China Light	14.7	......
Evergo	1.55	−0.05
Hang Seng Bank	46.75	+0.25
HK Electric	7.7	−0.05
HK Kowloon Wh.	6.15	+0.05
HK Land	4.4	+0.03
HK Shanghai Bk.	8.75	−0.05
HK Telephone	61	+0.05
Hutchison Wpa.	20.3	+0.1
Jardine Math.	8.2	−0.1
New World Dev.	5.55	......
Orient O'seas	2.6	......
Oseas Trust Bk.	2.52	−0.18
SHK Props	9.2	+0.05
Shell Elect.	1.95	......
Swire Pac A	24.8	+0.4
TV—B	6.25	+0.25
Wheel'k Mard A.	4.97	+0.32
Wheel'k M'time	1.1	......
World Int. Hldgs.	1.96	+0.02

JAPAN

Feb. 12	Price Yen	+ or −
Ajinomoto	1,110	+30
Alps Electric	2,020	−40
Amada	1,140	−10
Asahi Chem	678	−11
Asahi Glass	861	−4
Bridgestone	529	+4
Canon	1,370	−10
Casio Comp.	1,780	−30
Chugai Pharm.	1,070	+20
Citizen	560	−8
Daiei	630	......
Dai Nippon Ptg	931	−4
Daiwa House	540	+6
Ebara	340	−4
Eisai	1,710	+30
Fanuc	11,070	−150
Fuji Bank	1,320	......
Fuji Film	1,690	−40
Fujisawa	1,110	−10
Fujitsu	1,330	+10
Green Cross	1,850	−70
Hasegawa	366	+6
Heiwa Real Est	601	−4
Hitachi	851	−7
Hitachi Credit	1,050	......
Honda	1,440	+30
House Food	680	......
Hoya	2,130	−10
Itoh (C)	329	−6
Ito. Yokado	2,560	+30
Iwatsu	1,340	−30
JACCS	527	+2
JAL	5,200	+10
Jusco	728	−2
Kajima	270	......
Kao Soap	825	+10
Kashiyama	601	−5
Kirin	569	+11
Kokuyo	915	+5
Komatsu	450	......
Konishiroku	694	−13
Kubota	321	−4
Kumagai	610	−10
Kyoto Ceramic	6,780	+80
Maeda Const.	470	+6
Makino Milling	1,300	......
Makita	1,220	−10
Marubeni	404	+3
Marudai	649	+2
Marui	995	......
MEI	1,570	−20
M'ta Elec Works	641	−7
M'bishi Bank	1,390	−10
M'bishi	521	−2
M'bishi Elec.	395	......
M'bishi Estate	40	−10

JAPAN (continued)

Feb. 12	Price Yen	+ or −
MHI	240	−2
Mitsui Co.	334	+6
Mitsui Estate	630	+6
Mitsukoshi	440	+23
NGK Insulators	628	+3
Nihon Cement	220	−1
Nippon Denso	1,350	......
Nippon Elect	1,170	......
Nippon Express	327	−3
Nippon Gakki	2,160	−30
Nippon Kokan	134	+1
Nippon Oil	825	−8
Nippon Seiko	620	−5
Nippon Shimpan	837	+7
Nippon Steel	145	−2
Nippon Suisan	333	−2
NTV	12,000	......
Nippon Yusen	245	+5
Nissan Motor	604	−1
Nisshin Flour	487	−2
Nisshin Steel	168	−1
Nomura	895	+5
Olympus	1,250	......
Orient Leasing	2,850	−40
Pioneer	3,000	−120
Renown	659	+4
Ricoh	885	−5
Sankyo	1,180	+20
Sanyo Elect	480	−10
Sapporo	420	+15
Sekisui Prefab	555	−2
Seven-Eleven	8,850	......
Sharp	1,060	−20
Shimadzu	788	−3
Shionogi	732	+20
Shiseido	1,060	......
Sony	4,290	+140
Stanley	885	−15
S'tomo Bank	1,660	......
S'tomo Elect.	903	......
S'tomo Marine	561	−7
S'tomo Metal	145	−1
Taihei Dengyo	465	−1
Taisei Corp	198	......
Taisho Pharm	1,130	−10
Takeda	915	+100
TDK	5,710	+100
Teijin	459	......
Teikoku	635	......
Tokyo Marine	706	−4
TBS	225	−1
Tokyo Elect Pwr	1,470	−20
Tokyo Gas	163	+1
Tokyo Sanyo	694	......
Tokyo Style	740	−5
Tokyu Corp.	312	−3
Toppan Print	648	......
Toray	440	+4
Toshiba Elect	415	......
TOTO	639	+14
Toyo Seikan	860	−10
Toyota Motor	1,300	+20
Victor	2,150	+10
Wacoal	716	−4
Yamaha	735	−4
Yamanouchi	4,200	−160
Yamazaki	620	−7
Yasuda Fire	353	−9
Yokogawa Bdge.	422	......

SINGAPORE

Feb. 12	Price $	+ or −
Boustead Hldgs.	1.68	−0.02
Cold Storage	2.56	−0.02
DBS	5.85xa	−0.05
Genting	5.4	......
Haw Par. Bros.	2.26	......
Hong Leong Fin.	3.24	−0.02
Inchcape Bhd.	2.61	......
Keppel Shipyard	1.65	−0.04
Malay Banking	5.9	−0.05
Malay Utd. Ind.	3.23	−0.06
Multi Purpose	0.91	+0.01
OCBC	9.25	+0.05
OUB	3.96	......
Public Bank	1.66	+0.02
Sime Darby	1.9	......
Singapore Press	6.5	......
Straits Trdg	4.5	−0.04
Tat Lee Bk.	2.76	......
UOB	4.46	......

SOUTH AFRICA

Feb. 12	Price Rand	+ or −
Abercom	1.3	......
AE&CI	7.15	......
Allied Tech	46.5	......
Anglo Am Coal	45	+1
Anglo Am Corp	25	−0.25
Anglo Am Gold	152	+2
Barclays Bank	15.6	+0.15
Barlow Rand	9.8	+0.05
Buffels	63	+0.05
CNA Gallo	2.1	......
Currie Finance	3.55	......
De Beers	8.7	+0.15
Driefontein	48.75	+3.5
FS Geduld	40.5	......
Gold Fields SA	45.5	+0.5
Highveld Steel	3.95	......
Nedbank	9.75	......
OK Bazaars	13.5	−0.25
Protea Hldgs	1.35	−0.02
Rembrandt	30.5	......
Rust Plat	15.5	−0.1
Safren	12	......
Sage Hldgs	6.65	......
SA Brews	6	+0.05
Smith (C.G.)	19	......
Tongaat Hulett	6.1	+0.1
Unisec	4.55	−0.05

CANADA

TORONTO

Closing prices February 12

Sales	Stock	High	Low	Close	Chng
2501	Abti Prce	$37½	36½	37½	+1
3625	Acklands	$17¼	17	17	−¼
1200	Conwest A	$8¼	8⅛	8⅛	−⅛
5500	Coseka R	270	266	266	−3
10300	Crownx	$17¼	17⅛	17⅛	+¼
36900	Czar Res	165	160	160	−4
12356	Daon Dev	300	295	300	+2
1600	Daon A	280	276	280	+5
1300	LOns Cam	$11¼	11½	11¼	+¼
6800	Lacana	$10¼	10¼	10¼	+⅛
5016	Loblaw Co	$19½	19½	19½	−⅜
500	MDS H A	$20	19¾	19¾	−¼
7500	Mclan H X	$26	26	26	−⅛
1100	Merland E	415	410	410	−10
1600	Telcorp	104	100	104	+3
900	Tara	$18½	18¼	18½	−½
800	Teck Cor A	$12	12	12	+¼
68450	Teck B f	$12⅛	11⅞	12	−¼
1585	Tex Can	$33¼	33⅛	33⅛	−⅛
2050	Thom N A	$54	53⅝	54	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices February 12

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Brook St. Bureau	101	+8
Checkp. Europe	168	+28
Gomme	40	+10
M. & G. Group	500	+52
Peko-Wallsend	290	+12
Pentland Inds.	435	+35
Stonehill	104	+15

FALLS

Treas. 13pc 2000	£111⅝	−⅝
BICC	250	−7
BSR Intl.	130	−13
BTR	655	−12
Barratt Devel.	68	−4
Burton	430	−14
Cable & Wireless	500	−25
Cambridge Elec.	335	−25
Falcon Resour	465	−15
Fleet Hldgs.	252	−10
GEC	190	−8
House of Fraser	246	−10
Jaguar	342	−15
Land Securities	298	−7
Plessey	160	−12
Redland	266	−8
RTZ	667	−18
Royal Bk. of Scot.*	31pm	−7
STC	200	−34
TI	236	−14
TSL Therm Synd.	196	−14
Whitworth Elect.	60	−10

*Nil-paid

Continued on Page 31

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

We regret that due to communications problems this listing is incomplete.

Indices

NEW YORK-DOW JONES

	Feb 12	Feb 11	Feb 8	Feb 7	Feb 6	Feb 5	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	1,278.81	1,276.08	1,289.97	1,290.08	1,280.58	1,285.23	1292.82 (29/1/85)	1088.57 (24/7)	1292.82 (29/1/85)	41.22 (2/7/32)
Transport	625.33	621.24	630.09	628.22	617.14	628.11	638.86 (8/2/85)	444.83 (25/7)	628.11 (5/2/85)	12.32 (8/7/32)
Utilities	149.87	148.31	150.80	150.75	148.88	149.88	150.89 (8/2/85)	122.25 (15/8)	163.72 (28/4/69)	10.5 (28/4/42)
Trading vol		104m	116m	151m	140m	143m	—	—	—	—

	Feb 1	Jan 25	Jan 18	Year Ago (Approx)
Ind Div Yield %	4.72	4.72	4.51	4.55

STANDARD AND POORS

	Feb 12	Feb 11	Feb 8	Feb 7	Feb 6	Feb 5	1984-85 High	1984-85 Low	Since Compilation High	Since Compilation Low
Industrials	201.72	201.85	203.88	203.29	201.65	202.01	203.88 (8/2/85)	167.74 (24/7)	203.88 (8/2/85)	3.62 (30/6/32)
Composite	180.56	180.51	182.19	181.82	180.43	180.61	182.19 (8/2/85)	147.82 (24/7)	182.19 (8/2/85)	4.40 (1/6/32)

	Jan 23	Jan 16	Jan 9	Year Ago (Approx)
Ind div yield %	3.85	4.00	4.15	3.76
Ind. P/E Ratio	11.14	10.71	10.31	13.49
Long Gov Bond Yield	11.19	11.51	11.40	11.54

N.Y.S.E ALL COMMON

Feb 12	Feb 11	Feb 8	Feb 7	1984-85 High	1984-85 Low
104.57	104.50	105.39	105.18	105.39 (8/2/85)	85.13 (24/7)

RISES AND FALLS

	Feb 11	Feb 8	Feb 7
Issues traded	2,015	2,017	2,027
Rises	810	984	1,103
Falls	1,017	884	549
Unchanged	388	418	375

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Data Gen	3,344,580	59⅛	−13¾
IBM	1,948,888	132	−1½
ATT	1,940,800	20⅞	−¼
Uncal Cp	1,939,400	48	−1¾
Phil Pete	1,789,800	58⅛	+⅛
Digital Eq	1,328,300	116½	−5⅞
East Kodak	1,084,100	68⅜	−⅜
NCR	1,862,400	27	−2⅝
Hewlt-Pack	1,005,700	36½	−1⅛
Nat Semi	914,400	13½	−⅛

Advances 736 Declines 772

TORONTO

	Feb 12	Feb 11	Feb 8	Feb 7	1984-85 High	1984-85 Low
Metals & Minls	2,187.8	2,183.69	2,182.5	2,185.4	2524.4 (12/1/84)	1841.2 (25/7)
Composite	2,502.1	2,502.78	2,512.9	2,520.6	2520.6 (7/2/85)	2079.7 (24/7)
MONTREAL Portfolio	130.99	130.88	131.67	132.44	132.44 (7/2/85)	100.36 (24/7)

* Indicates pre-close figure

	Feb. 12	Feb. 11	Feb. 8	Feb. 7	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1.1/80)	787.7	785.5	772.6	778.1	787.9 (9-1-84)	546.3 (18-8)
Metals & Minls. (1/1/80)	435.7	431.6	438.5	446.8	687.4 (5-1-84)	395.6 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	62.98	62.36	62.50	62.26	62.98 (12-2-85)	53.20 (15-8)
BELGIUM						
Brussels SE (1/1.80)	2149.84	2156.7	2157.4	2155.71	2174.4	2090.7
DENMARK						
Copehagen SE (3/1/83)	174.95	174.26	173.11	171.63	223.21 (20/1/84)	158.44 (8/1-85)
FRANCE						
CAC General (31-12/82)	197.9	199.2	198.90	198.2	199.2 (11-2-85)	155.6 (5-1-84)
Ind Tendance (28/12/84)	107.7	108.4	108.80	108.5	108.8 (8-2-85)	100.0 (28-12-84)
GERMANY						
FAZ Aktien (31/12/58)	398.08	399.2	400.84	400.95	402.75 (18.1.85)	317.17 (25-7)
Commerzbank (1/12/58)	1152.5	1161.4	1162.6	1165.7	1171.1 (22-1-85)	917.7 (25-7)
HONG KONG						
Hang Seng Bank (31-7-64)	1357.22	1357.94	1347.88	1512.43	1388.42 (7-1-85)	746.02 (15-7)
ITALY						
Banca Comm Ital. (1972)	272.24	275.69	271.32	270.90	275.69 (11-2-85)	192.08 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	12027.89	—	12009.8	11940.8	12027.(12-2.85)	9703.35 (23-7)
Tokyo SE New (4/1/68)	924.54	—	924.45	922.94	935.77 (16.1.85)	750.45 (4-1-84)
NETHERLANDS						
ANP-CBS General (1970)	198.1	200.4	199.6	199.4	200.4 (11-2.85)	146.8 (25-7)
ANP-CBS Indust (1970)	156.7	158.6	158.5	158.2	158.5 (8/2-85)	118.7 (18/6)
NORWAY						
Oslo SE (4/1/83)	335.2	346.45	345.60	338.88	345.6 (8/2/85)	221.67 (4-1-84)
SINGAPORE						
Straits Times (1966)	805.57	808.94	817.51	815.81	1071.9 (8.2)	764.4 (16/1-85)
SOUTH AFRICA						
Gold (1958)	858	846.4	—	807.1	1088.8 (19-11)	738.1 (24/1/84)
Industrial (1958)	856.7	861.8	—	862.6	1106.3 (26-3)	853.5 (19-9)
SPAIN						
Madrid SE (28/12/84)	114.22	113.47	112.0	112.75	117.41 (4-2-85)	100.00 (28-12-84)
SWEDEN						
Jacobson & P (1/1/58)	1467.65	1488.98	1484.5	1471.30	1594.5 (5-2)	1302.99 (22/11)
SWITZERLAND						
Swiss BankCpn.(31/12/58)	412.3	417.2	418.6	416.7	418.3 (8-2-85)	354.5 (25-7)
WORLD						
Capital Intl. (1/1/70)	—	195.5	197.1	196.7	197.1 (1-2-85)	165.2 (14-12)

** Saturday February 2: Japan Nikkei-Dow 11,889.6. TSE 923.85.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Exclusive bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

FT COMMERCIAL LAW REPORTS

No substitute for ship after fire

THE BA DAGRY

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Lloyd and Sir John Megaw): February 5 1985

A SHIPOWNER'S option under a time charter to substitute a similar vessel for the original exists only as long as the charter exists, in the absence of agreement to the contrary; and accordingly, if the charter is prematurely terminated before substitution, either contractually or by frustration, the option perishes with the charter and cannot be exercised.

The Court of Appeal so held when dismissing an appeal by Ferkol Rederierne, owners of the Badagry, from an award made by Mr Justice Staughton sitting as judge-arbitrator in favour of charterers, Petroleo Brasileiro SA and Frota Nacional de Petroleiros, two Brazilian companies, in a dispute arising out of the loss of Badagry due to fire.

* * *

SIR JOHN DONALDSON said that on October 5 1973 the owners time-chartered the Badagry for eight years. The charterparty contained a clause providing that the owners had the option to substitute a similar vessel during the charter period.

Also, by clause 3(d), it provided that "if the vessel should become a constructive total loss, hire shall cease at the time of the casualty resulting in such loss."

In 1977 the vessel became a constructive total loss as a result of a fire which occurred on September 27 in the course of a laden voyage from Santos to Belem. The ship was towed into Rio de Janeiro.

On October 13 the owners gave notice of abandonment to underwriters on the basis that the cost of repairs would exceed the repaired value. The notice was accepted.

In the case of most time charters such an event would have brought the charter to an end by frustration. The owners, however, purported to exercise the option in the substitution clause. On October 17 they told the charterers that they would be able to substitute a similar vessel, the Bonny, on about December 1. The charterers denied that the owners could exercise the option.

Mr Justice Staughton, sitting as a judge-arbitrator, held that the Badagry became a constructive total loss on October 13, and that the charterparty was frustrated or determined before October 17. He awarded in favour of the charterers, stating his award in the form of a special case for the opinion of the court. The question of law was whether the owners were entitled to substitute the Bonny for the Badagry after September 27, or after October 13.

Mr Boyd for the owners submitted that they exercised their option on October 17 and that the charterparty continued in force until repudiated by the charterers the following month.

Mr Colman, for the charterers, submitted that the charterparty was terminated on or shortly after September 27 upon the vessel becoming a constructive total loss, or upon the giving of notice of abandonment on October 13. He asserted that the option to substitute could not survive termination of the charterparty.

But for the presence of the substitution clause the charterparty would have terminated at the latest when further use of the vesesl for purposes of the charter became commercially impossible (see *Blane Steamship [1951] 2 KB 965, 989, 996*. The question was whether the substitution clause and the action taken under it by the owners, could save the charterparty.

The scheme of the charter was that a vessel was placed at the charterers' disposal at the beginning of the charter period, and then came on hire. She, or such vessels as might be substituted, continued on hire throughout the charter period, subject *inter alia to clause* 3(d).

Clause 3(d) contemplated a total and final cessation in the obligation to pay hire, which must be inconsistent with continuation of the charterparty.

The first question was thus whether the charterparty was terminated pursuant to clause 3(d) before any substitution could take place.

Mr Colman's submission that it was so terminated on or about September 27 was correct.

Constructive total loss was a concept peculiar to marine insurance. There were three sets of circumstances in which, for insurance purposes, a vessel would be a constructive total loss (see section 60 of the Marine Insurance Act 1906).

They were: (i) where the vessel was reasonably abandoned *on account of its actual total* loss appearing to be unavoidable, or because it could not be preserved from actual loss without expenditure which would exceed its value when the expenditure had been incurred; (ii) where the assured was deprived of possession of his ship by a peril insured against and (a) it was unlikely that he could recover the ship, or (b) the cost of recovery would exceed the ship's value when recovered; (iii) where a ship was so damaged by a peril *insured against that the cost of* repairing the damage would exceed her value when repaired.

In the context of a charterparty the only necessary modi*fication of those definitions* was to substitute "owner" for "assured" and to delete all references to perils insured against.

The vessel became a constructive total loss within category (iii) on or about September 27, although it was only a few days later that it was possible to *verify that fact*.

Accordingly, hire ceased and, since there was no question of substitution of the Bonny at that stage, the charter terminated and the right to substitute perished.

Even in the absence of clause 3(d) the result would have been the same, albeit a few days later, because by then there would *have ceased to be any subject* matter for the charter.

It was one thing for cargo to be stored ashore while repairs to the vessel were executed. It was quite another for goods to be stored when the owners had decided not to repair the vessel and had given notice of abandonment to underwriters.

In such circumstances the owners had abandoned performance of the charter by means of that vessel, or had withdrawn her from the charterers' service.

The position as late as October 17 was that Badagry had in effect been withdrawn from charter, and the owners had decided to substitute the Bonny, but the Bonny could not be at the charterers' disposal before December 1.

In the absence of special terms providing that the substitute vessel became subject to the charter and either was or was not on hire, the essential continuity of the charter could not be maintained. A contention that in such circumstances the charterparty survived made neither commercial nor legal *sense*. The award should be affirmed.

*

LORD JUSTICE LLOYD, agreeing, said that substitution implied a continuing original. If the original had ceased to exist it was no longer possible to substitute.

Mr Boyd argued that a term as to recommencement of hire could be implied in the charter.

That was not accepted. Before a term could be implied in a commercial contract, it must not *only be necessary in order* to give the contract business efficacy, but must also be capable of being defined with reasonable precision.

It was impossible to say with any precision at all what term should be implied in the case of a total loss.

The charter came to an end on September 27 either through frustration or through the operation of clause 3(d). There was nothing to indicate that the substitution clause was intendel to survive on its own.

*

SIR JOHN MEGAW also agreeing, said that the owners submitted that as they could undoubtedly substitute if the vessel suffered damage adversely *affecting* performance of the charterparty, there was no good commercial reason why they should be precluded from substituting when damage amounted to constructive total loss.

The force of that argument was at least seriously weakened by the fact that if it were right, it would put the owners in a "heads I win, tails you lose" position. If time-charter rates had risen, it would have been to *the owners' advantage not to* substitute, but to allow the charter to terminate; if rates had fallen, the charterers would have had no corresponding option to bring about termination.

The owners, if their submission was right, had what might be an important advantage not enjoyed by the charterers: an option to preserve or to destroy the charterparty. That reduced the value of their argument.

For the owners: Stewart Boyd QC and David Mildon (Richard Butler and Co.).

For the charterers: Anthony Colman QC and Victor Lyon (Thomas Cooper and Stibbard).

By Rachel Davies
Barrister

MARKET REPORT

Sterling weakness begins to trouble equities and index falls 21 points

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

UK equity investors became increasingly nervous yesterday over the possible short-term repercussions of the dollar's surge to new peak levels. Sterling and other leading European currencies weakened further and money markets continued to rise with the key three months interbank rate in money markets closing at 14¼ per cent. That put paid to any faint hope of a fall in bank base rates from the current 14 per cent level.

Confidence was also dented by Wall Street's first real setback in over six weeks and by reports that underwriters of Standard Telephones and Cables' £168m fund-raising had experienced some difficulty before completing placing arrangements for a proposed rights issue. STC were sold heavily after the early morning announcement and fell 34 to a year's low of 200p. The currently unfashionable Electrical sector was troubled and closed thoroughly depressed. Leading and secondary stocks both sustained sizeable losses with sellers concentrating their efforts on GEC, Plessey and Cable and Wireless.

Potential buyers of other leading industrials stepped back in the face of revived offerings from private clients. From noon onwards the market became uncertain and the tone darkened throughout the afternoon, partly owing to the absence of American interest. At the close, the FT Ordinary share index, 6.2 off at 11.00 am, was 21 points down at the session's lowest of 970.1.

Government securities remained sensitive to the trend of sterling but eased only marginally during the official hours of business. The pound's late dip below $1.09, however, brought out a few more sellers in the after-hours' trade and longer-dated stocks ended the session ⅜ down in places. The shorts eased around $\frac{1}{16}$ and index-linked Gilts were the same amount lower.

Barclays down again

Clearing banks drifted lower in sympathy with the general trend. Barclays, still concerned about Citicorp's decision to stop its public-sector loans to South Africa by the end of next month, dropped 14 more for a two-day fall of 27 to 618p. Lloyds gave up 10 at 598p and NatWest 8 at 682p. Midland cheapened 6 to 337p; the preliminary results are scheduled for March 6. Elsewhere, Royal Bank of Scotland came on offer again and closed 8 down at 242p; the new nil-paid shares finished 7 lower at 31p premium. Discount Houses gave ground on fears of dearer money. Union, 20 off at 695p, led the retreat, while Gerrard and National declined 13 to 315p and Cater Allen 12 to 488p.

Cautious reports emanating from an analysts' lunchtime meeting with the company prompted late weakness in Prudential, which dropped 13 to 542p. Other Life companies gave ground in sympathy. Sun Life, at 719p, and London and Manchester, at 687p, lost 13 apiece, while Equity and Law closed 7 lower at 228p. Lloyds Brokers, strongly supported of late on consideration of their dollar earnings potential, succumbed to profit-taking. Willis Faber came back 11 to 639p as did Stewart Wrightson, to 589p.

Dealings in Sangers started in the Unlisted Securities Market ex the scrip and rights issue following the acquisition of the Pavion cosmetics business; the old shares touched 45½p ex all prior to closing at 41p. The new nil paid shares moved up to 14p premium before settling at 8p premium, while the 11 per cent Convertible advanced to 12p premium before easing back to 8p premium.

Buildings came under selling pressure as interest rate anxieties resurfaced. Housebuilder Barratt Developments were a weak market and shed 4 to a 1984-85 low of 68p; the interim results are due soon. Taylor Woodrow, a rising market recently on consideration of its oil interests and news of construction contracts, gave up 7 to 373p. Tarmac came on offer and fell 12 to 482p, while Redland lost 8 to 266p. RMC shed 6 to 372p, as did Blue Circle, to 499p; the former has acquired McLaren and Co (Bedford), a stone quarrying concern, for £6m. British Dredging touched 68p prior to closing unchanged at 66p; a 7 per cent stake has passed from Equity Capital for Industry to M and G Investment Management which now holds 15.1 per cent of BD's voting rights.

ICI opened a shade lower at 858p, but moved up to a 1984-85 peak of 875p on the appearance of a couple of sizeable buyers before drifting off to close a penny cheaper on balance at 862p.

Debenhams volatile

Dearer money fears coupled with Monday's disappointing retail sales figures prompted double-figure losses among leading Stores. Gussies "A," 690p, and Burton, 430p, shed around 15 apiece, while House of Fraser closed 10 lower at 326p. Debenhams, however, provided a relative bright spot; trading between 226p and 216p, the shares closed only 2 lower on balance at 219p as talk of a boardroom split continued to stimulate takeover speculation.

Secondary Stores also displayed some sizeable losses, although business remained thin and most finished above the worst. Dixons fell 18 to 562p, while Harris Queensway, 174p, and MFI, 211p, gave up 10 and 5 respectively. Vantona Viyella, due to announce preliminary figures shortly, eased 7 more to 294p. Sumrie Clothes, on the other hand, advanced 5 to 57p on revived speculative support.

The recently-beleaguered Electrical sector suffered a further setback following news of STC's proposed £168m rights issue. Sellers were active throughout the session and most quotations closed at the lowest. Among the leaders, Plessey finished 12 off at a 1984-85 low of 160p, while Thorn EMI ended the same amount easier at 438p. GEC dropped 8 to 190p, BICC 7 to 250p and Racal 6 to 190p. Cable and Wireless, additionally worried by cautious reports emanating from an investment seminar in Hong Kong, declined 25 more to 500p. Secondary issues provided a lengthy list of casualties. Cambridge fell 25 to 335p and CASE 18 to 232p, while falls of around 13 were seen in Bowthorpe, 430p, BSR, 130p, Electrocomponents, 277p, International Signal and Control, 257p, Logica, 297p, and United Scientific, 210p. News of the interim deficit and second-half profits warning left Whitworth 10 lower at 60p. By way of contrast, Brikat advanced 25 to 380p, reflecting the profits potential of its Pegasus computer package, while Humberside improved a couple of pence to 12p in response to the bumper profits. Recently dull on the aborted bid discussions, Checkpoint Europe rebounded 28 to 168p.

The sudden change in market sentiment prompted liquidation of speculative positions in current bid favourite TI, which closed 14 down at 236p. Among other Engineering leaders, GKN gave up 5 to 191p, while Vickers, awaiting preliminary figures, due shortly, eased 6 to 231p. Elsewhere, AI Industrial Products resisted the trend, closing 4 higher at 40p ahead of tomorrow's annual results. Manganese Bronze hardened a penny further to 59p on the increased interim earnings. Renold were quoted ex rights at 48½p, with the new nil-paid shares at 9p premium.

Foods generally suffered from a lack of support, but Cadbury Schweppes were a resilient market on overseas earnings considerations and closed unaltered at 164p, after 162p. Rowntree Mackintosh, however, gave up 7 to 358p, while Northern Foods lost 4 for a two-day fall of 8 to 222p. Among Retailers, Associated Dairies shed 4 to 148p, as did J. Sainsbury, to 308p. Elsewhere, recently-firm Bassett encountered profit-taking and shed 5 to 188p, but Pyke Holdings rose 10 to 310p following a Press suggestion that Hillsdown Holdings, which makes its market debut tomorrow, may launch a bid.

Among dull Hotels, Grand Metropolitan fell 9 to 293p and Trusthouse Forte shed 5 to 145p.

A mid-morning rally in the miscellaneous industrial leaders fizzled out, although some overseas earners such as Glaxo, down ¼ at £11¼, and Beecham, 4 off at 353p, held up reasonably well. BTR, in contrast, gave up 12 at 655p and recent favourite Reed International closed 10 lower at 552p. Pilkington came back a like amount to 305p, while Metal Box eased 8 to 412p. Elsewhere, Furniture shares provided several good features, Gomme Holdings advancing 10 to 40p on the big transfer of funds to the company from the pension scheme. Stonehill moved smartly higher on the half-year profits recovery to close 15 higher at 104p. Overseas earnings potential left Cookson 11 to the good at 568p and Pentland 35 dearer at 435p. Revived speculative demand on hopes of a bid from stake holder Bunzl left Brammer 13 to the good at 326p. Wheelock Marden improved 8 to 62p on reorganisation talk, while bid speculation prompted a rise of 8 to 101p in Brook Street Bureau. TSL Thermal Syndicate, in contrast, ran back 14 to 196p on profit-taking in the wake of the recent sharp re-rating which followed the interim figures. Booker McConnell drifted back 5 further to 254p awaiting possible bid moves from Dee Corporation; the latter closed 3 lower at 209p.

Motor sectors continued to attract substantial interest. Jaguar were particularly volatile throughout the day before settling 15 lower at 342p. In contrast, Reliant were marked a couple of pence harder at 46p following publicity given to the deal whereby the company will assemble the new Ford RS200 "Group B" rally car. Dunlop, down to 41p during the morning session, rallied to unchanged at 46p reflecting persisting hopes of an increased offer from BTR or bid from a third party. Distributors highlighted Appleyard which responded to fresh speculative support and closed 5 up at 52p.

Among dull Publishers, Fleet Holdings dipped 10 to 252p; the interim results are scheduled for next Monday. Elsewhere, USM-quoted product development consultants Craton Lodge and Knight reacted 4 to 183p as the market discounted the increased full-year profits. Hunterprint improved 10 to 205p awaiting today's preliminary results.

Leading Properties sustained moderate losses. Land Securities lost 7 to 298p, as did MEPC, to 308p, while Hammerson A fell 20 to 495p. Elsewhere, United Real gave up 15 to 485p following uninspiring interim figures.

The disappointing results from Nottingham Manufacturing continued to cast a shadow over the Textile sector. Nottingham managed a slight rally, closing a couple of pence to the good at 218p, but Courtaulds, 143p, Coats Patons, 155p, and Dawson International, 296p, all shed around 5. David Dixon again attracted speculative attention and attained a new peak of 183p before settling only a penny up on balance at 176p.

Recently firm Tobaccos were caught up in the general malaise. Imperial, due to announce interim results tomorrow, eased 4 to 214p.

M. and G. Group, ex the 100 per cent scrip issue, attracted a useful demand and touched 523p before closing a net 52 higher at 500p. Elsewhere in Financial Trusts, Newmarket, at 189p, lost 5 of the recent good rise which greeted the annual results.

Oils easier

Leading Oils came under pressure from the outset and were not helped by the lack of further progress in crude oil spot markets which ended the day a shade lower on balance. Marked down to 550p initially BP remained depressed until the after-hours trade when U.S. support encouraged a minor rally which left the shares a net 3 off at 555p. Shell were a similar amount down on balance at 755p, after 750p while Britoil dipped 7 to 206p and Ultramar a like amount to 198p.

Great Western Resources highlighted secondary issues and advanced to a 1984-85 high of 305p before ending a net 5 firmer at 290p on further consideration of the latest oil find in Texas and the Kuwait Investment Office's increased stake in the company. Falcon Resources remained volatile touching 484p and settling a net 15 off at 465p.

Golds rally

The strong showing by both bullion and South African Gold shares in overnight American markets prompted widespread and often substantial gains in the South African sectors of mining markets. Bullion's initial rise to around $303.75 in London and talk of stock shortages gave gold sharemarkets a further boost. However, the continuing strength of the dollar, which effectively choked off any interest in Golds from Continental operators, had an adverse effect on sentiment during the afternoon. Many issues then eased back to close below their best levels, although most retained good gains on balance. The Gold Mines index rallied 18.9 to 489.7.

South African Financials mirrored the performance of Golds with De Beers, heavily bought in the U.S. overnight, finally 18 to the good at 430p. "Amgold" moved up £2¼ to £75, while Genbel hardened ½ to £10½ ahead of the interim results.

The marked weakness of UK equities had an adverse effect on Rio Tinto-Zinc, which retreated to close a net 18 off at 667p, despite the continued buoyancy of base-metal prices—especially copper — in the face of the latest decline in sterling against the dollar.

Activity in Traded Options expanded with 13,115 contracts struck. Jaguar recorded 2,127 calls with operators taking particular interest in the March series. Imperial Group, interim figures due tomorrow, recorded 1,808 calls and 403 puts. British Telecom also found favour with 2,303 calls and 238 puts struck. The short Gilt contract was again lively and attracted 162 calls and 235 puts.

FINANCIAL TIMES STOCK INDICES

	Feb. 12	Feb. 11	Feb. 8	Feb. 7	Feb. 6	Feb. 5	year ago
Government Secs.	79.30	79.36	80.04	80.24	79.62	79.63	82.72
Fixed Interest	83.42	83.50	84.04	83.86	83.61	83.50	86.81
Ordinary	970.1	991.1	988.6	989.2	983.3	982.4	812.1
Gold Mines	489.7	470.8	484.6	497.1	487.8	474.3	577.7
Ord. Div. Yield	4.42	4.34	4.36	4.36	4.37	4.39	4.53
Earnings, Yld.% (full)	11.04	10.83	10.89	10.89	10.92	10.97	9.45
P/E Ratio (net) (*)	10.88	11.09	11.04	11.03	11.00	10.96	12.95
Total bargains (Est.)	25,320	25,089	25,355	24,990	23,713	24,606	25,099
Equity turnover £m.	—	410.35	495.56	435.24	379.12	379.94	263.64
Equity bargains	—	23,754	26,704	22,669	21,388	20,980	17,840
Shares traded (ml)	—	206.2	277.4	218.8	182.5	190.2	163.4

10 am 980.4. 11 am 984.9. Noon 979.9. 1 pm 976.8. 2 pm 976.4. 3 pm 973.6.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=10.54.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Sec.	83.77 (9/1/84)	75.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY	Feb. 7	Feb 8
Daily Gilt Edged Bargains	145.5	152.7
Equities Bargains	154.1	173.0
Equities Value	829.4	1001.7
5day Average Gilt Edged Bargains	150.3	150.7
Equities Bargains	149.7	146.8
Equities Value	849.0	790.6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Feb 11 Index No.	Fri Feb 8 Index No.	Thur Feb 7 Index No.	Wed Feb 6 Index No.	Year ago (approx.) Index No.
[illegible]											

FIXED INTEREST

PRICE INDICES	Tues Feb 12	Day's change %	Mon Feb 11	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Tues Feb 12	Mon Feb 11	Year ago (approx.)
[illegible]			

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C $300	—	—	40	16	—	14 A	$303
GOLD C $320	—	—	—	—	20	—	"
GOLD C $325	—	—	56	5	—	—	"
[illegible]							

TOTAL VOLUME IN CONTRACTS: 25,514.

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 4	Feb 15	May 9	May 20
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24

For rate indications see end of Share Information Service

Money was given for the call of Eglinton Oil and Gas, North-west Oil and Gas, Aran Energy, Atlantic Resources, Falcon Resources, Premier Oil, Petranol, Jacksons Exploration, Nottingham Manufacturing, Metana Minerals, Stonehill, "The Times" Veneer, Tranwood, Churchill, Strong and Fisher, Combined Technologies, Sangers, Transport Development, Charterhouse J. Rothschild Warrants, Rockware and Chloride. No puts were reported, but doubles were taken out in Strong and Fisher and Falcon Resources.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BTR	655	−12
Brikat	380	+25
Burton	430	−14
Cambridge Elect	335	−25
Debenhams	219	− 2
Falcon Resources	465	−15
Great Western Res	290	+ 5
ICI	862	− 1
Jaguar	342	−15
Sangers	41xa	—
STC	200	−34
TI	236	−14

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (129)

AMERICANS (32)
CANADIANS (5)
BANKS (2)
BUILDINGS (3)
CHEMICALS (5)
STORES (4)
ELECTRICALS (2)
ENGINEERING (6)
FOODS (2)
INDUSTRIALS (12)
INSURANCE (3)
MOTORS (3)
NEWSPAPERS (2)
PAPER (3)
PROPERTY (4)
SHIPPING (1)
TEXTILES (6)
TRUSTS (20)
OILS (3)
OVERSEAS TRADERS (1)
PLANTATIONS (1)
MINES (2)

NEW LOWS (19)

BRITISH FUNDS (1)
Treas. 11½pc '01-'04
AMERICANS (1)
Corporate Data Sci.
BUILDINGS (1)
Barratt Devlpts.
ELECTRICALS (6)
BSR Internatl. Plessey
Crystalate Racal Electronics
Kode Internatl. STC
INDUSTRIALS (6)
Bus. Comp. Systs. Morris (W.J.) F. Arts
Ecobric Unigroup
Do. Deb. Worthington (A. J.)
SHIPPING (1)
Common Bros.
PLANTATIONS (1)
Applied Botanics
MINES (2)
Australis Mining Meekatharra Minerals

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	86	16
Corpns. Dom. and Foreign Bonds	8	32	34
Industrials	173	517	754
Financial and Prop.	79	161	305
Oils	27	25	71
Plantations	2	7	8
Mines	89	17	73
Others	78	41	60
Totals	459	886	1,321

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Jaguar	25	357xd	+21½
Falcon Res	24	480	+ 5
Notts Manfg	19	215	−31
TSL Th'ml Synd	19	210	+55
RTZ	18	685	+15
TI	16	250	+16
BP	15	558	+13
British Telecom	14	128	+ 2½
Imperial Group	14	218	+ 3
BOC	13	298	+ 5
Body Shop Int	13	625	−50
Bunzl nil-paid	13	85pm	− 5
Dunlop	12	46	—
Debenhams	12	221	+ 7

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
[illegible]							

Option		Calls Mar.	Calls Jun.	Calls Sept.	Puts Mar.	Puts Jun.	Puts Sept.
[illegible]							

Feb. 12 Total contracts 13,115. Calls 10,162. Puts 2,953.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102¼	99 11/16	Exch. 12pc Cnv '85	99 13/16	−1/16	12.03	14.50
97¼	93 5/16	Treas 3pc 1985	97¼	−⅛	3.08	13.18
102⅝	99¼	Treas 11½pc 1985	99 9/16	−⅛	11.58	13.24
99¼	96 7/16	Treas 8½pcCnv '85	97 11/16xd	−⅛	8.95	12.98
104 1/16	99½	Exch. 12¼pc 1985	99⅝	−⅛	12.30	12.65
103 15/16	99 1/16	Exch. 11¼pc '86	99¼xd	−1/16	11.84	12.57
102 3/16	96 1/16	Treas. 10pcCnv 1986	97¼	−3/16	10.29	12.57
92¼	88¼	Treas 3pc 1986	93	−¼	3.23	8.98
102	96¾	Exch 10½pc Cv '86	97 11/16	−3/16	10.75	12.50
104 1/16	99 1/16	Treas 12pc 1986	99⅜	−⅛	12.08	12.47
98¼	93½	Treas 8½pc 1984-86‡‡	96⅝	+1/16	8.80	11.97
108 11/16	102 1/16	Exch. 14pc 1986	102½	−¼	13.66	12.27
89 11/16	85	Exch. 2½pc 1986	88⅛	−⅛	2.84	9.96
107 11/16	100 13/16	Exch 13¼pc 1987	101¾	−3/16	13.03	12.19
100⅞	94½	Treas 10¼pcCv '87	96⅝xd	−¼	10.61	12.20
87¼	83¼	Exch 2½pc 1987	86⅛xd	−¼	2.91	10.25
101 3/16	94½	Exch 10½pc 1987	96¼	−3/16	10.86	12.24
92¼	87	Funding 6½pc '85-87‡‡	89⅝	−⅛	7.26	11.97
99⅝	92⅞	Treas. 10pc 1987	95⅝	−¼	10.46	12.20
86⅝	81 5/16	Treas 3pc 1987	85	−¼	3.53	10.16
105	97¼	Treas. 12pc 1987	99⅝	−¼	12.05	12.13
94⅞	87 5/16	Treas 7¾pc 1985-88‡‡	90¾	−¼	8.54	11.53
100¼	92 11/16	Exch 10½pc '88	95⅝	−3/16	10.98	12.16
98 7/16	89 13/16	Treas 9¾pc Cv '88	93⅝	−3/16	10.42	12.11
82 5/16	77	Transport 3pc '78-88	81¼	−¼	3.70	9.68
96 11/16	88 5/16	Treas 9½pc '88	92¼	−⅛	10.32	12.18
106¼	94 13/16	Treas 11½pc 1989	98 5/16xd	−3/16	11.70	12.05
96 11/16	87 11/16	Treas 9½pc Cnv '89	91⅛	−3/16	10.40	12.18
99⅞	90 13/16	Treas 10½pc 1989	94 5/16	−3/16	11.13	12.14
100 3/16	88⅞	Exch.10pc 1989	92 11/16	−3/16	10.79	12.18
101 5/16	94¼	Exch 11pc 1989	95 11/16	−⅛	11.50	12.21

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
64	43	Magnolia Group	46		2.5	3.2	7.8	4.5
64	28	♦Manmet Hldgs 10p	42					
275	157	Man. Ship Can. £1	275		—	—	—	—
104	65	Marley	92	−1	5.5	♦	2.9	♦
61½	40	Marling Ind. 10p	61		†3.2	2.5	5.0	10.3
46	29	Marshall L'sy 'A'	40		†d3.0	5.6	3.0	7.2
77	37	Marshall's Universal	69	−1	†1.2	3.6	4.3	(7.1)
89	77	Do. 7½pcCnRedPf £1	82		H1.75	—	3.6	20.8
30	20	Martin-Black	22		7½%	—	13.1	—
£108	£81	♦Matthews 7¼%	£81			—	—	—
432	287	Metal Box £1	412	−8	Q7¼%	2.3	9.7	—
220	129	Metal Closures	157	−5	†15.0	1.2	5.2	6.6
27	9	♦Metal Sciences 2½p	18		6.3	2.3	5.7	(8.7)
133	80	♦Midland Marts	85	+5	—	—	—	—
84½	45	Mitchell Cotts	81	−½	4.0	1.8	6.7	10.8
196	132	Morgan Crucible	195		4.0	1.5	7.1	11.5
36	23	♦Morris (W) F.A. 20p	23		17.5	1.2	5.5	(19.7)
110	80	Moss (Robt.) 10p	99	−1	bg0.5	4.0	3.1	21.9
330	197	♦NMW Computers	275		♦12.5	2.3	3.6	14.3
65	38	Nash Inds	40		6.0	3.0	3.1	15.3
47	30	Neil & Spencer 10p	42	−1	2.5	1.5	8.9	9.2
33	13	Newman Industries	22		—	—	—	(8.1)
31	16½	Do. 10pc Cm.Cnv.Pf.	21½	−½	10%	—	—	(12.4)
67	39	Nolton	51	−3		—	6.6	—
183	132	Norcros	162	−3	q1.1	4.5	3.1	8.6
86	55	Nu-Swift 5p	55	−3	†7.5	2.4	6.6	8.5
100	50	Oakwood Grp	87	−3	†2.4	3.2	6.2	7.2
190	135	Office & Elect	149		4.5	♦	7.4	♦
108	92	Oldacre 20p	105		7.5	4.2	7.1	6.9
875	625	Oriflame Intl SA	625		s4.0	2.6	5.4	9.3
46	15	Owenstone 12½c	17	+1	†Q53c	2.2	7.6	6.0
£173	£120	Ozalid 9pc Cnv 87-92	£170	−1	†Q4.5c	2.2	‡	3.9
190	105	♦PCT Grp 10p	185		Q9%	—	(5.4)	—
£14	975	PLM 'B' SL 25	£14		g4.8	2.9	6.4	6.0
193	149	PSM Intl	182	+1	Q21.6%	♦	3.5	♦
62	40	♦Pacific Sales 10p	53		bg5.25	2.6	4.1	13.3
207	148	Parker Knoll 'A'	168		h2.4	2.2	6.5	(8.0)
375	197	Pauls	360		9.0	2.8	7.7	6.6
693	403	Pearson	685	−8	♦8.5	2.5	3.4	15.8
35	18	Peck Holdings	20		†14.0	3.0	2.9	13.6

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net
288	182	LWT "A"	258	−2	14.4
75	42	Leisuretime Int 10p	59	+4	2.1
160	98	Mngmt Ag M 10p	152	−4	8.75
184	118	♦Media Tech Int 20p	183		ug2.58
137	76	Medminster 10p	130		4.85
220	138	♦Miss World 10p	220	+5	13.0
26	15	♦Multitone Leis	24½	−½	0.25
46	9	♦Nimslo Int 20c	24		—
31½	14½	♦Owners Abroad	22½		0.75
66	39	Photax (Lon.)	40		—
29½	20	♦P'dilly Radio NV 5p	23	−½	1.87
130	97	♦Pineapple Dnc St 10p	70		d1.5
430	265	Pleasurama 5p	422		Hq9.2
17½	10¾	♦Pres Entertain 10p	16¼		†2.0
158	80	♦Radio City 'A' NV	45		5.6
70	48	♦Radio Clyde NV	48		3.2%
148	30	Riley Leisure 10p	59	+2	†4.2
166	94	Saga Hols. 20p	165		†3.75
£10½	£11	Samuelson Grp £1	£10	+¼	†9.0
32	18	♦Sargers Photo 10p	30		h2.0
167	138	♦Scantro 50p	165		bg3.68
190	98	Scot TV 'A' 10p	156		†8.1
427	186	SeaCo Inc $0.125	425	+5	—
35	10	♦SelecTV 10p	12		—
145	113	♦Spectrum 5p	115		g2.0
37	24	TSW 5p	29		1.5
157	79	TVS N/Vtg 10p	132	−1	6.0
222	102½	♦Television Svc 50p	216	−2	†1.5
90	60	Tottenham Hotspur	76		†d2.3
260	120	Trid'nt TV 'A' 10p	237	−3	♦7.5
173	100	♦21st Century Dist	111		—
197	135	♦Tyne Tees TV 'A' £1	153		10.5
101	53½	Ulster TV N/V 'A'	86	+1	4.75
28	17	Webb (Jos.) 5p	24	−1½	d0.51
25½	20½	♦Williams (Rex) 5p	25½		u0.91
110	88	Zetters 5p	109		†3.25

MOTORS, AIRCRAFT TRADES

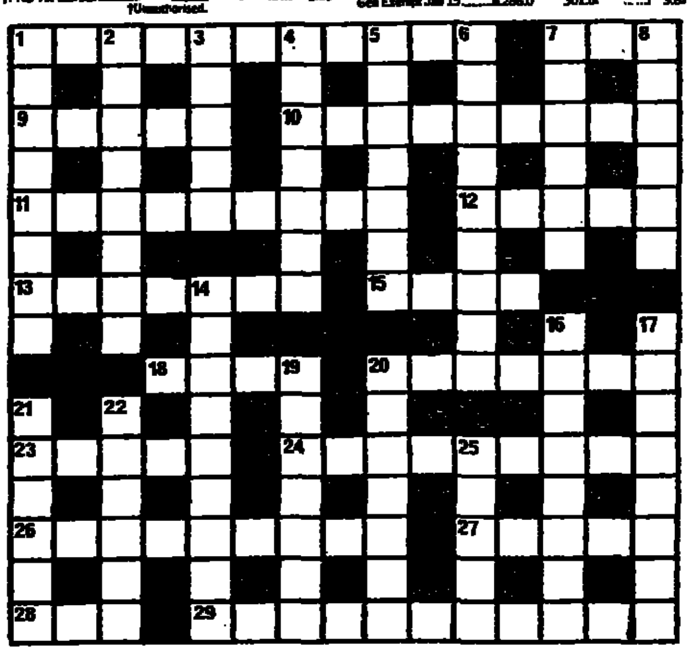
Motors and Cycles

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,643



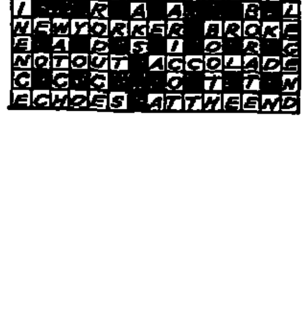
ACROSS

1 How accident was sustained in Cumbrian pursuit? (4-7)
7 Farm butter from Upper Ambridge (3)
9 "The Hole in the Wall" is pleasant, outside Holyhead (5)
10 Monty's tie knotted and shown in evidence (9)
11 Groom's first domestic obstacle? (9)
12 *End of Strauss's* Eulenspiegal is quiet (5)
13 Angle that is impossible, see! (7)
15 Sounded like a piece of climber's equipment (4)
18 Capital of Central Czechoslovakia (4)
20 Emperor, pope, prince and ancient (7)
23 Iago's trash in a bag? (5)
24 Stimulate once, perhaps, universal anger (9)
26 Overshadow rioting at Bermuda (9)
27 Said to ascend in this country (5)
28 Fellow in retirement to show sign of weariness (3)
29 Eden garment tailored in delusion (11)

DOWN

1 Fathead puts ointment on a gathering (8)
2 Nottingham factory-price quoted—from scratch? (8)
3 Grasses through which the wind blows? (5)
4 Complex duty of trawlermen (7)
5 At home, team get run (one has secret information) (7)
6 Sliding scale for musicians (9)
7 Castle that is displaying virgin soldier? (6)
8 Guarded prognosis of aerial potential of ephemeral insect (6)
14 Is it made, in the main, for natives? (6-3)
16 This case is for the addressee (8)
17 Such a fan dear then, revolving? (8)
19 Frank manner out of doors (4,3)
20 People get spiritual messages from it (7)
21 Joint injury of pair suffering in opposite ways (6)
22 Oval, perhaps, this earth? (6)
25 It could be Vanya who takes a pledge (5)

Solution to Puzzle No 5,642



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$11.57	—	−0.04	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.7	15.2	—	3.10
Chinese Fund	58.8	61.2	—	1.70
Precious Metal Fund	71.4	74.3	—	8.90
Vanguard Cmdy. Fd.	19.4	20.1	—	0.00
Financial Futures Fd.	32.5	39.8	—	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd.	$8.62	—	−0.01	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	13.79	14.36	6-mth	Call
7-day Fnd	13.82	14.39	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	13.84	14.31	6-mth	Call
7-day Fund	13.91	14.40	6-mth	7-day
Money Mngt. Acct	13.62	14.33	3-mth	Call
Dollar	7.37	7.50	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	13.75	14.48	Qtr	Call
Mo. Int. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	13.00	13.80	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.75	13.37	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.25	14.09	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mthl	Call
U.S. Dollar	7.50	7.763	Mthl	Call
German Marks	5.0	5.116	Mthl	Call
Swiss francs	2.0	2.018	Mthl	Call
Japanese Yen	5.0	5.116	Mthl	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	13.50	14.20	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.00	13.80	Mthl	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc	13.25	14.10	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	12.60	13.20	Qtr	Call
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mthl	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.62	14.33	Qtr	Call
Money Acc.	13.125	13.78	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.50	14.37	Mth	Call
Over £10,000	13.75	14.65	Mthl	Call

Notes: CAR=compounded annual rate. Int Cr=frequency interest credited.

NOTES

COMMODITIES AND AGRICULTURE

NFU accuses Jopling of being 'inept and ineffective'

BY ANDREW GOWERS

BRITISH FARMERS' leaders yesterday mounted a unprecedented attack on the Government, accusing Mr Michael Jopling, the Agriculture Minister, of being "ineffective and inept" in deciding and implementing farm policy.

Sir Richard Butler, president of the National Farmers' Union told the NFU's annual general meeting that 1984 had been one of the toughest years for farmers since World War Two.

"The British Government has added to our misfortune," he said. "It has been ineffective in negotiation in Europe. It has been inept in administration at home. And it has not thought enough about the future."

Sir Richard's words were unusually harsh by the standards of the NFU, which has in the past preferred to use its close ties with the Ministry of Agriculture to lobby the Government behind the scenes. But he appears to have been stung into speaking out by signs that this relationship is being eroded.

"The achievements of agriculture and horticulture in the post-war era are partly due to a uniquely successful relationship between Government and industry," he said. "If recent decisions mean that the Government is trying to dismantle that relationship, I tell them they do so at their peril."

Sir Richard described Britain's handling of the imposition of milk production quotas by the EEC last April as "a dismal story of weak negotiation and indecisive administration," and criticised subsequent cuts in the Government's direct spending on farmers.

He had little optimism to offer NFU members for this year. Farm price proposals from the European Commission, which call for a net 3.6 per cent cut in cereals prices, were "totally inadequate," and in the House of Commons, urban interests were threatening to submerge rural interests.

Other speakers at the AGM were more outspoken. Mr John Aylston, a Norfolk farmer said: "When the minister took over, he had an ordered, efficient industry. Within a few short months he has brought about absolute chaos and created despondency and uncertainty."

Delegates unanimously passed a resolution demanding that Mr Jopling "provide the industry with a constructive and comprehensive plan for its development in the future, the continuing absence of which constitutes a gross dereliction of his duty to the producers of this country."

Among other complaints expressed at the meeting were:

● The deteriorating position of small farmers. A motion called on the NFU to press the Government for support for the family farm:

● The public concern about the effects of farming on the environment. The AGM called for more grant aid for pollution control and conservation:

● The increasing publicity given to the health implications of Britain's high consumption of animal fat.

● The continuing imbalance between relatively prosperous cereal growers and the impoverished livestock sector, a traditional source of controversy within the NFU.

Few delegates addressed the key issue of food surpluses in the EEC. Mr Mike Pearson, from Devon, said the meeting was "avoiding the issue," and likened the current over-capacity in agriculture to the problems faced by industries like shipbuilding and steel.

Hong Kong sets up diamond exchange

By Our Commodities Staff

HONG KONG, one of the world's biggest diamond trading centres, yesterday set up its first central diamond exchange.

Leung Sik Wah, chairman of the exchange, said a group of diamond merchants had formed the Hong Kong Diamond Bourse Ltd and would officially begin trading next month. It had more than 100 members, he said.

It is estimated that more than $500m of diamonds were bought and sold in Hong Kong last year.

● THE U.S. Commodity Futures Trading Commission yesterday approved the Chicago Board of Trade as a market to trade options on silver futures.

● THE JOSEPH NICKERSON Charitable Foundation is donating £250,000 to launch a research project into heather improvement to assist upland conservation.

● BRAZIL'S 1985 castor seed crop could rise to about 300,000 tonnes from the 260,000 tonnes produced last year, traders said. The planted area rose slightly and growing conditions have so far been favourable.

● UK CEREAL substitute imports in December totalled nearly 84,000 tonnes, bringing the total since August 1 to 581,000 tonnes, up from 564,600 last year, the Home Grown Cereals Authority said. Corn gluten imports accounted for 29,000 tonnes, down from November's 55,800, but the 247,000 for the season was still above last year's 207,290.

● SUGAR CANE growing in Natal, South Africa, has survived heavy rains and flooding. In fact the water will benefit the 1985-86 crop, the South African Sugar Association said. NO 22—8/8½

● INDONESIA hopes to increase crude palm oil exports to at least 300,000 tonnes this year, agriculture minister Achmad Affandi said.

● KENYA'S anticipated tea output has been boosted by unexpected downpours during the prime plucking season which closes at the end of March, according to Mr Ezekiel Wanjama, secretary of the semi-state Tea Board of Kenya.

Tin market stays in doldrums

BY WONG SULONG IN KUALA LUMPUR

THE KUALA LUMPUR tin market, successor to the Penang physical straits tin market, is in the doldrums. Since it was launched last October, it has been merely selling Malaysian tin, almost exclusively to the buffer stock manager at the floor price of 29.15 ringgit a kilo.

"We had expected this. We are not disappointed," says Mr Abdul Aziz Kadir, a director of the market, and chairman of its marketing committee.

He reckons that conditions will remain dull until there is a fundamental change in the demand/supply situation.

The overhang of 60,000 tonnes of surplus tin had to be whittled down substantially, and export controls, now in their third year, lifted before traders and speculators could be attracted to the market.

"Once export control is lifted, we would be the first to allow buying and reselling," says Mr Aziz.

Currently, the KLTM is restricted to selling Malaysian tin, produced under export quotas and smelted by the two Penang smelters.

It has 11 members—membership is limited to 30—of which eight are Malaysian companies and three Japanese. In the Penang market, the two smelters fixed the prices by matching daily offers with bids, while the KLTM operates on the open cry system.

"We would like to have more members, but the big international trading firms do not want to come in as yet because they don't feel the need to," says Mr Aziz.

It's a sore point that only Malaysian tin can be sold on the market for both the Indonesians and the Thais, who have to sell their metal elsewhere at prices which are a good 1,400 ringgit a tonne less than the buffer stock range laid down in the International Tin Agreement.

"We have asked the Indonesians and Thais to join the KLTM. This would give the market a big boost perhaps, at a later stage, they may ask to be allowed to sell, say 50 tonnes, of their tin a month. This amount would be tolerable," says Mr Aziz.

At International Tin Council meetings it is becoming increasingly contentious that the buffer stock has to support tin at 29.15 ringgit a kilo on the KLTM.

Consumers and many producers would like to allow the buffer stock to operate below the floor price. But Malaysia, the biggest producer, is resisting this.

Its primary industries minister, Datuk Paul Leong, fears there could be chaos.

But increasingly, ITC miners are losing patience over the prospect of a protracted export control regime. They are frustrated to see non-ITC producers lifting their output while they struggle to survive with the 39 per cent restriction on their exports.

Foreign - exchange - starved Brazil has been singled out for particular criticism. Brazil's exports have risen substantially, from 8,000 tonnes in 1981 to 18,000 tonnes last year.

Tin smuggling is another serious problem. It is still running at 1,000 tonnes a month, mainly from Thailand, Indonesia and Malaysia, despite more stringent enforcement.

The U.S. is still selling tin, although at the rate of 3,000 tonnes, as agreed with the Association of South East Asian Nations in 1983.

On the brighter side, the world's tin surplus — 100,000 tonnes two years ago—is down to 60,000 tonnes and is being eroded at the rate of about 1,500 tonnes a month.

Datuk Leong sees the real problem of the industry as structural. Demand is stagnant. World consumption of the metal in 1983 was 160,000 tonnes—not much higher than that in the 1920s—while production was 156,000 tonnes.

Technological advances, and the rapid switch in the industrialised countries from tin cans to substitutes such as plastics, aluminium and glass, foreshadow the decline of tin use and the tin plating industry.

"The tin can is not dead," says Datuk Leong, "but we have to take action to convince important canners of the advantages that tin continues to offer. We have to promote the greater consumption of tin canned food in the populated developing countries."

Basically, he wants the tin industry to be market-orientated, to put up a good fight against substitutes and to promote new uses for the metal.

Weaker £ boosts base metal prices

By John Edwards, Commodities Editor

THE FURTHER weakening in the value of sterling against the dollar brought another rise in base metal prices on the London Metal Exchange yesterday.

Tin prices closed above £10,000 for the first time, with standard grade cash tin gaining £85 to £10,012.5 a tonne. However, dealers said the price rise did not fully compensate for the reduced value of the £.

Copper prices advanced strongly to new five-year highs, boosted both by sterling and improved market sentiment.

The three months higher grade copper quotation broke the £1,300 barrier, closing £21.25 up at £1,316.75 a tonne, and triggering off chart buying points. At the same time the continuing decline in stocks is a firm background influence, although higher interest rates have helped widen the gap between the cash and three months prices.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,700-2,800.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 6.35-6.50.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 1.05-1.10, sticks, 1.12-1.17.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.40-11.55.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 298-305.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.60-3.85.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.25-8.75.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO3, cif, 71-76.

VANADIUM: European free market, min 98 per cent V2O5, other sources, $ per lb V2O5, cif, 2.35-2.40.

URANIUM: Nuexco exchange value, $ per lb V3O8, 15.00.

Florida orange crop estimates cut by 13% after January freeze

BY NANCY DUNNE IN WASHINGTON

THE COLDEST and longest January freeze to hit Florida this century has cut the U.S. Department of Agriculture estimate of the state's citrus crop by 13 per cent to 104m boxes.

The lower estimate is still higher than expected and orange juice futures on the New York Cotton Exchange dropped in early trading yesterday from about $1.71 per pound to $1.70 for March contracts.

While a loss of 13 per cent in one month is severe, Florida officials had at first expected to lose half the crop. A USDA analyst described the early reports as "pure politics. They wanted to get disaster assistance for the pickers."

The forecasts were the first official estimates from the USDA following the January freeze. From October to January the USDA had estimated the Florida crop would fill 119m boxes, a little more than the 1983-84 crop.

In the new estimates, the department calculated orange juice yields at 1.33 gallons a box, down from the January 1 projection of 1.46 gallons a box, but higher than the 1.26-1.28 gallons per box forecast by traders.

In other reports released, the USDA raised estimates of world grain supply to 1.6bn tonnes because of larger than expected harvests this year in the U.S. and Eastern Europe. The department is also forecasting higher soyabean production in Argentina.

In estimates on the USSR, the USDA said conditions for Soviet winter grains were favourable, with rainfall and temperatures in some areas above normal. Where grain had been subject to below normal temperatures, it had been protected by snow cover.

Israel fears loss of EEC market

BY QUENTIN PEEL IN STRASBOURG

ISRAEL'S farmers are seriously threatened by the entry of Spain and Portugal to the EEC unless a new trade deal can be negotiated, General Chaim Herzog, the Israeli President, told the European Parliament yesterday.

Agricultural exports to the EEC account for more than a third of Israel's exports to Europe and no alternative markets are available, he said. Urgent talks were needed to resolve the problem before January 1, 1986, when Spain and Portugal were due to join.

General Herzog said Spain and Portugal threatened "not only our agricultural exports but part of the social fabric of our society" represented by the key farming sector. Citrus fruit and its by-products were particularly at risk.

"We are looking for this whole issue to be discussed and resolved before Spain and Portugal become members of the community," he said.

The EEC buys 80 per cent of Israel's exports of flowers, 60 per cent of citrus exports, 85 per cent of citrus by-products and 95 per cent of its strawberries.

In 1983 Israeli exports to the community totalled Ecu 2bn (£1.2bn) and EEC exports to Israel were Ecu 3.4bn.

At a separate meeting yesterday, Mr Paul Channon, British Trade Minister, warned that urgent progress must be made this year towards creating a genuine common market in Europe, because decision-making would inevitably slow down after Spain and Portugal joined.

LONDON MARKETS

WEAKER STERLING helped to lift cocoa prices on the London futures market yesterday as values staged a minor recovery from Monday's heavy losses. The March position, which fell £83.50 on Monday, ended £12.50 up on the day at £2,185.50 a tonne.

The price had earlier slipped to £2,159 as traders continued to react to reduced concern about the possibility of Nigerian shipment delays, a factor which had figured in Monday's decline.

Easier sterling was also the main influence on the coffee market where futures prices made further modest gains. The May position ended £6.50 higher at £2,402.50 a tonne.

London sugar futures, which are traded in dollar terms, were weaker

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Feb. 12 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1175/1195	+15	$1145/1175
Copper			
Cash h Grade	£1287	+5	£1188.25
3 mths	£1316.75	+21.25	£1208.75
Gold troy oz	$302.5	+0.75	$302.75
Lead Cash	£340.5	−1.25	£355.25
3 mths	£349.5	+1.25	£329.75
Nickel			
Free Mkt	229/258c	−1	218/248c
Palladium oz	$128.60	+1.75	$116.75
Platinum oz	$273.25	+1.75	$271.00
Quicksilver	$295/305	......	$295/305
Silver troy oz	567.75p	+17.75	536.40p
3 mths	586.50p	+18.29	552.30p
Tin cash	£10,012.5	+85	£9787.5
3 mths	£10,002.5	+57.5	£9797.5
Tungsten	$78.27	......	$81.75
Wolfram 22 04lb	$70/74	......	$64/68
Zinc	£774	+4	£725.5
3 mths	£775.75	+3.5	£718.25
Producers	$900	......	$900

	Feb. 12 1985	+ or −	Month ago
OILS			
Coconut (Phil)	$765u	+10	$895
Palm Malayan	$575x	+5	$580
SEEDS			
Copra Phil	$500v	+30	$560
Soyabean (U.S.)	$248.25	−1.75	$247.5
GRAINS			
Barley Fut. May	£115.50	−0.15	£114.35
Maize	£148.00	......	£149.50
Wheat Fut. May	£116.20	−0.05	£114.00
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2185.5	+12.5	£2045.5
Coffee Ft. May	£2402.5	+6.5	£2348
Cotton A Index	69.45c	−0.35	71.55c
Gas Oil March	$228.5	−7	$254.25
Rubber (kilo)	65p	......	64p
Sugar (raw)	$110w	+1	$114.6
Wooltops 64s	525pkilo	+2	498pkilo

‡ Unquoted. w March. x April. u Feb-March. v March-April. † Per 75-lb flask. n Nominal. c Cents a pound.

INDICES

FINANCIAL TIMES

Feb. 11	Feb. 8	M'th ago	Year ago
298.79	299.62	—	—

(Base: July 1 1952 = 100)

REUTERS

Feb. 12	Feb. 11	M'th ago	Year ago
2026.3	2019.4	1953.6	1980.3

Base: September 18 1931 = 100)

MOODY'S

Feb. 11	Feb. 8	M'th ago	Year ago
973.4	970.5	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Feb. 11	Feb. 8	Month ago	Year ago
Spot	121.32	121.46	—	—
Fut.	126.42	126.01	—	—

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1288-.5	+21.2	1286-8	+15
3 months	1313-.5	+24.5	1316.5-7	+21.2
Settlem't	1288.5	+21	—	—
Cathodes				
Cash	1284-8	+21	1285-7	+13.5
3 months	1309-.5	+25.2	1310-2	+18.5
Settlem't	1288	+21	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,289, 88.5, 88, three months £1,313, 12, 13, 14, 14.5, 15, 14, 13.5, 13. Cathodes: Three months £1,308, 10, 09. Kerb: Higher Grade: Three months £1,313, 12.5, 12, 11, 10.5, 11. Afternoon: Higher Grade: Three months £1,316, 17, 17.5, 17, 16.5.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	9970-5	+10	10010-5	+67.5
3 months	9985-8	+25	10020-5	+88
Settlem't	9975	+10	—	—
Standard				
Cash	9935-40	−20	10010-5	+85
3 months	9945-50	−7.5	10000-5	+67.5
Settlem't	9940	−20	—	—
Straits E.	$29.15	—	—	—

Tin—Morning: Standard: Cash £9,940, three months £9,970, 65. High Grade: Cash £9,980, 70, three months £9,990. Kerb: Standard: Three months £9,980. Afternoon: Standard: Three months £9,990, 95, 10,010, 5. High Grade: Three months £9,985. Kerb: Standard: Three months £10,010, 10,000, 5, 10. Turnover: 1,855 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	340-.5-1	−.5	340-1	−1.25
3 months	348-.5	+2	349-50	+1.25
Settlem't	341	−.5	—	—

Lead—Morning: Cash £340, 40.5, three months £348, 48.5, 49, 48.5, 48, 48.5. Kerb: Three months £348. Afternoon: Cash £341, three months £348.5, 50, 51, 51.5, 52, 51, 50. Kerb: Three months £350, 49. Turnover: 10,850 tonnes. U.S. Spot: 19-20 cents a pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	775-6	+8.25	773.5-4.5	+4
3 months	777-8	+7	765.5-6	+5.5
Settlem't	776	+8.5	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £808-808.5, pm £808-809. Three months am £806-807, pm £805-807. Settlement: £808.5. Morning: Cash £775, three months £777, 78, 76.5, 77. High Grade: Cash £810, 6.5, 8. Kerb: Three months £776, 77, 78. Afternoon: Three months £777, 77.5, 78, 77, 76. High Grade: Three months £809, 6. Kerb: Three months £776.50, 76, 75. Turnover: 13,400 tonnes. U.S. Prime Western: 43-43.75 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	1028-9	+14.2	1022-3	+2
3 months	1063.5-4.5	+16.7	1058-.5	+3

Aluminium—Morning: Three months £1,063, 64, 63.5, 64, 66, 67, 65.5, 65, 64.5, 64, 63.5. Kerb: Three months £1,063, 61, 60, 59, 58. Afternoon: Three months £1,061, 60, 59, 58, 58.5, 58. Kerb: Three months £1,059, 58, 57, 58, 59, 60, 59, 58, 59. Turnover: 35,250 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	4670-5	+125	4630-40	+77.5
3 months	4625-30	+45	4665-70	+88.5

Nickel—Morning: Cash £4,585, three months £4,625, 20, 22, 25. Kerb: Three months £4,640. Afternoon: Three months £4,640, 80, 70, 75, 70, 65. Kerb: Three months £4,665, 70, 80. Turnover: 1,716 tonnes.

GOLD

Gold rose $2½ an ounce from Monday's close in the London bullion market yesterday to finish at $302¼-302¾. The metal opened at $303½-304 and traded between a high of $303¾-304¼ and a low of $302-302½. The firmer trend came despite a stronger dollar as short-covering developed at lower levels.

GOLD BULLION (fine ounce) Feb. 12

Close	$302¼-302¾	(£278½-279)
Opening	$303½-304	(£276¾-277¼)
M'n'g fix	$303.45	(£276.669)
Aft'n'n fix	$302.50	(£277.142)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$311¾-312½	(£287-287¾)
½ Krug.	$160¼-161	(£147½-148¼)
¼ Krug.	$81¾-82½	(£75¼-76)
1/10 Krug.	$33¼-34	(£30½-31¼)
Mapleleaf	$311¾-312½	(£287-287¾)
New Sov.	$71¼-72	(£65½-66¼)
½New Sov.	$43¼-44	(£39¾-40½)
Old Sov.	$72-73½	(£66¼-67¼)
$20 Eagle	$465-495	(£428¼-455¾)
Noble Plat	$281-284½	(£257-259)

LONDON FUTURES

Month	Yest'days close	+ or −	Business Done
	$ per troy ounce		
Feb.	—	—	—
April	307.10	—	307.10
Jun.	—	—	—

Turnover: 105 (100) lots of 100 troy ounces.

SILVER

Silver was fixed 17.75p an ounce higher for spot delivery in the London bullion market yesterday at 567.75p. U.S. cent equivalents of the fixing levels were: spot 621.7c, up 13.7c; three-month 634.95c, up 14.45c; six-month 650.05c, up 14.4c; and 12-month 681.25c, up 14.3c. The metal opened at 568-571p (623-626c) and closed at 572-575p (621-624c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	567.75p	+17.7	568.5p	+13
3 months	586.50p	+18.2	587.5p	+14.5
6 months	604.00p	+18.3	—	—
12months	635.75p	+18.6	—	—

LME—Turnover: 113 (35) lots of 10,000 oz.

Morning: Large 1st ring three months 587, 88; 2nd ring three months 587, 86.5, 86. Kerb: Three months 586.5. Afternoon: Large 1st ring cash 570; three months 590.5. Kerb: Three months 588, 90, 91

COCOA

Futures traded in a narrow range and ended an active day near the highs. Some consumer interest for physical cocoa was noted but producers declined to follow the market lower, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2165-2166	+2.0	2178-2142
May	2185-2186	+12.5	2190-2159
July	2173-2174	+26.0	2274-2140
Sept	2153-2154	+30.5	2160-2125
Dec	2020-2021	+30.5	2021-1987
Mar	2000-2005	+25.0	1986-1979
May	1996-2005	+30.0	1980-1976

Sales: 6,385 (6,098) lots of 10 tonnes.

...ICCO indicator prices (U.S. cents per pound). Daily price for Feb 12: 101.88 (102.77): five-day average for Feb 13: 105.26 (106.34).

COFFEE

Following a slightly firmer New York close, London opened £6 higher in light volume, reports Drexel Burnham Lambert. Commission house selling erased the gains before trade support lifted prices by £12-15. A decline in New York influenced another retracement.

COFFEE	Yesterd'ys Close	+ or −	Business Done
March	2387-90	+1.0	2402-84
May	2402-03	+6.6	2412-95
July	2426-28	+6.0	2435-22
Sept	2446-50	+8.5	2458-42
Nov	2467-70	+7.5	2476-62
Jan	2471-80	+8.0	2470-66
March	2435-70	—	—

Sales: 2,382 (2,083) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for February 11 Comp. daily 1979 134.06 (134.54); 15-day average 136.71 (136.92).

GRAINS

Old crops remained very dull in a narrow trading range. New crops were active with further original selling causing losses of up to 65p before profit-taking steadied values a little, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd's close	+ or −
Mar	111.65	−0.65	112.75	+0.10
May	116.20	−0.05	115.50	—
July	117.50	−0.60	—	—
Sept	95.80	−0.05	95.95	−0.50
Nov	99.10	−0.25	99.50	−0.55
Jan	102.60	−0.30	103.00	−0.55

Business done—Wheat: March 111.90-1.75, May 116.25-6.20, July 117.60-7.30, Sept 95.80-5.50, Nov 99.15-9.00, Jan 102.75-2.60. Sales: 381 lots of 100 tonnes. Barley: March 112.75-2.55, May 115.60-5.50, Sept 96.30-5.70, Nov 99.70-9.50, Jan untraded. Sales: 149 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern psing No 1 14 per cent March 190.75, April-May 189.80, June 170.05 transhipment East Coast: U.S. No. 2 soft red winter March 166.25, April 167.25, May 16.75: English feed fob July-Aug 99.25, Sept 97, Oct 99.25 sellers East Coast. Maize: U.S. No. 3 yellow/French Feb 158 transhipment East Coast. Barley: English feed fob Sept 98 paid East Coast, July-Aug 97.50 seller East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. West 111.90, W. Midlands 110.40, N. West 109.10. The UK monetary coefficient for the week beginning Monday, February 18 (based on HGCA calculations, using five days' exchange rates) will remain unchanged.

PIGMEAT

Prices opened firmer in line with physicals but light profit-taking in overbought conditions eased values before buying created a steady close, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	110.60	110.30	111.10-109.50
June	109.20	108.50	109.20-107.90
Aug	105.50	105.00	105.50-105.00
Oct	111.80	111.80	112.00-110.90
Nov	112.10	112.40	112.00-111.50
Feb	100.50	103.80	—

Sales: 286 (186) lots of 50 carcases, 3,250 kg.

POTATOES

Values fell £1 during the morning, recovered most of the losses in the afternoon but eased at the close, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb	43.50	42.50	43.80-43.50
April	49.90	50.50	50.80-49.50
May	51.30	51.50	51.70-50.80
Nov	72.00	71.50	72.00-71.50
Feb	80.00	79.80	80.00

Sales: 392 (527) lots of 40 tonnes.

OIL

In modest trading March Brent fell about 30c during the afternoon following a nervous and uncertain morning market. Nymex opened 25c down and lost a further 15c by 1 pm EST after moderately heavy trading. February gas oil prices remained stable to firm as the strong demand continued to chase poor supplies. March levels, however, fell $6-8 in line with the weak futures and with news of incoming supplies. Heavy fuel was unchanged with continued demand into the UK supporting the market.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.50-27.60	+0.10
Arab Heavy	26.55-26.65	—
Dubai	27.15-27.25	+0.175
Brent Blend	28.00-28.10	−0.325
W.T.I. (1pm est)	27.65-27.75	−0.175
Forcados (Nigeria)	28.20-28.40	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	236-238	+2
Gas Oil	252-254	+1.5
Heavy fuel oil	189-192	+0.5

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Feb	241.00	−8.25	249.50-41.00
March	228.50	−7.00	235.25-28.00
April	219.75	−4.75	225.50-19.00
May	215.00	−3.25	219.00-15.50
June	214.00	−3.50	215.50-14.00
July	214.00	−2.00	215.50-14.00
Aug	215.00	−2.00	—

Turnover: 3,128 (3,562) lots of 100 tonnes.

RUBBER

PHYSICALS — The London physical market opened lower, attracted some buying interest throughout the day and closed little changed, reports Lewis and Peat. Closing prices (buyers): 65.00p (same); March 76.00p (76.25p); April 76.75p (77.00p). The Kuala Lumpur Feb fob price for RSS No 1 was 193.25 (195.75) cents a kg and for SMR 20 was 189.5 (188.5).

SOYABEAN MEAL

The London market opened unchanged in thin conditions, reports T. G. Roddick. Prices remained stable on weaker sterling.

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb	147.0-150.0	—	—
April	145.7-146.5	−0.75	146.0
June	145.5-146.5	−0.80	144.0
August	144.0-144.5	−0.50	145.0
October	146.8-149.2	—	149.0
Dec	155.1-156.5	−0.75	—
Feb	155.0-157.5	−0.75	—

Sales: 150 (132) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $110.0 (£100.00) up $1.00 (up £1.00) a tonne for Feb-March delivery.

The market as initially steady but when Colombia and El Salvador invited bids for a total of five cargoes of March raws prices quickly fell to new life-of-contract lows, reports C. Czarnikow.

No.6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	110.6-111.0	112.0-112.4	113.8-110.8
May	118.8-118.8	120.4-120.6	121.6-118.4
Aug	127.0-127.2	128.8-129.2	130.0-126.8
Oct	135.4-135.6	137.4-137.6	138.4-135.4
Dec	141.0-142.6	144.0-145.0	144.8
Mar	157.0-157.8	159.0-159.8	158.8
May	163.8-164.8	166.8-167.0	—

Sales: 3,242 (3,193) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £208.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for Feb 11: Daily price 3.61 (same); 15-day average 3.76 (same).

U.S. MARKETS

HEATING OIL fell sharply on massive long liquidation precipitated by a correction of an overbought condition, less concern about deliberable supplies and indication of a break in Arctic weather affecting the eastern U.S., reports Heinold Commodities. Soyabeans and wheat declined sharply, despite a constructive supply/demand report on January stock report, due to the pressure of weak currencies. Maize was fractionally lower on good commercial support. Precious metals were under pressure reflecting the strength of the dollar. Copper, after early firmness, came under pressure on arbitrage selling based on weak sterling. Sugar was weak with British sentiment bolstered by offers to the world market by Colombia. Coffee showed modest losses on continued liquidation by commission houses. Cocoa attracted technical selling following Monday's break. Cotton came under pressure from the weak tone evident in the grain complex.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	50.20	—	—	50.55
March	50.50	51.00	50.45	50.85
April	50.90	—	—	51.25
May	51.35	51.80	51.30	51.70
July	52.15	52.85	52.00	52.50
Sept	52.95	—	—	53.30
Dec	54.15	—	—	54.60
Jan	54.55	—	—	54.90
March	55.35	—	—	55.70
May	56.19	—	—	56.50

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
March	2147	2172	2136	2164
May	2195	2219	2175	2222
July	2190	2204	2165	2217
Sept	2190	2190	2148	2189
Dec	2070	2090	2035	2057
March	2030	2034	2026	2050
May	2035	2040	2035	2050

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	144.61	46.75	44.50	45.79
May	143.75	45.60	43.65	44.51
July	142.39	43.95	42.10	42.90
Sept	140.90	42.25	40.70	41.25
Dec	139.93	40.75	39.60	40.18
March	138.39	38.95	38.95	38.88
May	136.75	37.95	37.95	37.77
July	136.13	—	—	36.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Feb	61.80	—	—	61.75
March	62.05	62.60	61.90	62.06
April	62.50	—	—	62.45
May	62.95	63.50	62.80	62.90
July	63.65	64.20	63.60	63.60
Sept	64.35	64.85	64.35	64.20
Dec	65.35	65.85	65.25	65.15
Jan	65.70	—	—	65.45
March	66.35	66.85	66.40	66.05
May	67.05	67.40	67.35	66.65

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	65.17	65.43	64.88	65.31
May	66.30	66.64	66.00	66.41
July	67.15	67.20	66.82	67.20
Oct	67.30	67.30	67.05	67.35
Dec	67.30	67.38	67.15	67.35
March	68.35	—	—	68.45
May	69.10	—	—	69.10
July	69.75	69.90	69.90	69.90

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
March	27.38	27.85	27.22	28.04
April	26.98	27.17	26.42	27.42
May	26.05	26.65	25.85	26.85
June	25.90	26.37	25.60	26.60
July	25.65	26.25	25.50	25.38
August	25.50	26.05	25.90	26.30
Sept	25.70	26.05	25.71	26.27
Oct	26.00	—	—	26.27
Nov	25.80	25.80	25.80	26.27
Dec	26.14	26.14	26.14	26.27

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	301.8	303.5	301.5	304.6
March	302.6	303.5	302.9	306.3
April	304.7	306.0	304.0	307.5
June	309.2	310.8	308.6	312.0
August	313.9	315.0	313.8	316.7
Oct	318.7	—	—	321.4
Dec	323.9	325.0	323.3	326.5
Feb	329.3	331.0	329.5	331.8
April	334.9	334.5	334.5	337.4
June	340.9	—	—	343.4
August	347.1	—	—	349.6
Oct	353.5	355.0	353.0	356.1
Dec	360.1	—	—	362.9

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
March	72.30	73.70	71.75	74.63
April	69.62	70.85	69.62	71.62
May	68.09	69.35	68.08	70.09
June	67.60	68.70	67.43	68.43
July	68.00	68.70	67.86	69.66
August	68.50	—	—	69.66
Sept	69.50	—	—	71.36

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	169.70	71.30	68.30	71.70
May	172.30	73.50	71.10	73.95
Sept	172.20	73.00	70.80	73.50
Nov	171.15	71.60	70.00	72.60
Jan	170.10	70.00	70.00	71.80
March	170.10	—	—	71.80
May	170.10	—	—	71.80
July	170.10	—	—	71.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	271.2	—	—	275.7
March	272.5	—	—	276.9
April	273.8	276.7	273.5	278.2
July	279.6	282.0	279.3	283.8
Oct	285.7	288.0	286.5	289.6
Jan	292.6	294.5	293.5	296.2

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	620.7	624.5	624.5	628.5
March	623.0	629.0	620.5	631.0
April	627.4	—	—	635.4
May	631.9	638.5	629.5	639.9
July	641.6	647.0	640.0	649.3
Sept	652.0	656.5	652.5	659.5
Dec	669.1	676.0	668.0	676.2
Jan	674.9	677.0	677.0	682.0
March	686.5	693.0	686.5	693.5
May	699.1	703.0	703.0	705.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	3.84	3.97	3.80	3.92
May	4.17	4.25	4.14	4.28
July	4.51	4.60	4.48	4.63
Sept	4.83	4.90	4.75	4.94
Oct	5.00	5.07	4.94	5.10
Jan	5.51	5.54	5.54	5.57
March	5.95	6.04	5.92	6.07
May	6.24	6.30	6.20	6.38
July	6.57	—	—	6.56

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	65.17	65.25	64.40	64.47
April	68.02	68.37	67.10	67.82
June	69.22	69.50	68.17	68.71
August	67.32	67.67	66.55	66.97
Oct	65.45	65.90	65.50	65.10
Dec	67.20	67.85	66.50	66.50
Feb	67.45	67.45	67.25	66.75

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	51.02	51.35	50.75	51.07
April	47.92	48.07	47.22	47.37
June	53.40	53.47	52.57	52.85
July	54.12	54.20	53.40	53.65
August	53.10	53.29	52.65	52.55
Oct	48.90	48.90	48.45	48.62
Dec	48.92	48.95	48.45	48.70
Feb	48.90	48.90	48.70	48.70
April	46.65	46.65	46.65	46.40

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
March	269.6	271.0	269.0	270.2
May	277.6	279.0	277.0	278.0
July	281.2	282.4	281.0	281.2
Sept	274.2	275.0	273.4	274.2
Dec	268.2	268.4	267.0	268.4
March	276.2	277.2	276.2	277.0
May	282.0	283.0	281.4	283.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	70.65	70.65	68.20	68.65
March	69.72	69.95	67.75	68.17
May	70.47	70.85	68.65	69.05
July	70.62	70.95	68.90	69.30
August	68.55	69.25	67.35	67.30
Feb	67.25	67.25	65.80	66.25
March	65.75	65.75	65.75	63.75

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	577.0	583.0	576.4	589.6
May	589.2	601.0	589.0	602.2
July	601.2	611.0	600.0	612.4
August	603.0	612.4	602.0	614.0
Sept	598.0	606.0	598.0	607.4
Nov	603.0	611.0	601.4	610.0
Jan	616.0	620.4	616.0	622.4
March	629.0	630.4	627.0	635.4
May	637.0	—	—	644.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	133.5	136.0	132.5	136.8
May	139.5	140.8	138.9	141.8
July	145.3	147.0	144.7	147.8
August	147.9	148.5	147.7	150.2
Sept	150.6	152.5	150.5	152.5
Oct	153.1	154.0	152.7	154.5
Dec	158.2	160.0	158.0	160.3
Jan	161.5	161.5	160.6	162.5
March	165.0	—	—	165.6

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
March	27.04	27.90	27.00	27.72
May	26.40	27.05	26.31	26.93
July	25.87	26.38	25.70	26.32
August	25.35	25.72	25.15	25.72
Sept	24.95	25.15	24.75	25.28
Oct	24.52	24.60	24.30	24.35
Dec	23.86	24.15	23.80	23.92
Jan	23.87	24.10	23.80	23.93

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	357.4	359.0	354.8	359.4
May	348.0	349.2	346.2	349.4
July	339.0	339.4	338.0	339.6
Sept	338.0	339.0	337.4	339.0
Dec	348.0	349.2	347.4	349.0
March	352.4	—	—	353.4

SPOT PRICES — Chicago loose lard 24.00 (same) cents per pound. New York tin 496.0-514.0 (498.0-515.0) cents per pound. Handy and Harman silver bullion 622.0 (609.0) cents per troy ounce.

OTHER MARKETS

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 96.55p per kg lw (+1.64). GB—Sheep 179.12p per kg est dcw (+9.29). GB—Pigs 81.47p per kg lw (+4.92).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 82.0; Ulster hindquarters 87.0 to 92.0, forequarters 59.0 to 63.0. Veal: Dutch hinds and ends 122.5 to 126.5. Lamb: English small 74.0 to 80.0, medium 66.0 to 74.0, heavy 63.0 to 66.0; Scottish medium 64.0 to 67.0, heavy 61.0 to 65.0; Imported: New Zealand PL (new season) 70.5 to 71.5. Pork: English, under 100 lb 49.0 to 61.5, 100-120 lb 52.0 to 58.5, 120-160 lb 41.0 to 49.0.

PARIS

SUGAR—(FFr per tonne): March 1,345-1,346, May 1,388-1,390, Aug 1,470-1,476, Oct 1,530-1,540, Dec 1,605-1,620, March 1,700-1,718.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. March 514, 516, 515-514; May 525, 626, 526-524; Aug 546, 547, 548-544; Oct 547, 549, 548-546; Dec 548, 550, 549-47; Jan 550, 552, 551-548; March 556, 560, 558-556; May 560, 564, 563-561; Aug 570, 574, 573-570. Sales: 108.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 582.0, 585.5, 586.0-585.5; May 595.0, 596.0, 596.0; July 598.0, 601.0, 598.0; Oct 598.0, 591.0, 588.0; Dec 592.0, 595.0, untraded; March 597.0, 608.0, untraded; May 601.0, 610.0, untraded; July 609.0, 612.0, untraded. Sales: 33.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter March 165.50, April 166, May 166, July 151.75. U.S. twk northern spring 14 per cent protein Feb 184, March 183, April/May 188.50, June 189.50, July 170. U.S. northern spring 15 per cent protein April/May 185. U.S. three hard amber durum April/May 184, June 184, Sept 183. Canadian one western amber durum April/May 194.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to rise

Renewed demand pushed the dollar to record high's in currency markets yesterday. Much of the rise occurred after the opening of trading in Chicago with New York shut for a holiday. Factors behind the dollar's rise remained the same with relatively high interest rates combining with the attraction of buying dollars to fund the U.S. Federal budget deficit, to provide further upward momentum.

Significantly the market appeared to have finally shrugged off its recent fears of concerted central bank intervention with most dealers agreeing that in the face of continued commercial demand, central bank intervention was unlikely to provide any lasting effect. Consequently the dollar rose to a 13-year high against the D-Mark of DM 3.2950, up from DM 3.2750 on Monday and an 11-year high against the Swiss franc of SwFr 2.8010 from SwFr 2.7940. Against the yen it finished at its best level since November 1982 at Y263.15 from Y261.60 and closed at a record FFr 10.0450 from FFr 9.9900. It also registered record levels against several other European currencies. On Bank of England figures, its index rose to an all time high of 151.1 up from 150.3 on Monday.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0888. January average 1.1274. Exchange rate index 71.0 from 71.1, having touched 71.2 during the day. The six-months ago figure was 78.5.

Sterling fell to its lowest level ever against the dollar, touching $1.0845 before finishing at $1.0875-1.0885, a fall of 85 points from Monday's close in London. Against the D-Mark it slipped to DM 3.5850 from DM 3.5925 and Y286.25 from Y286.75. It was also weaker against the Swiss franc at SwFr 3.0475 from SwFr 3.0650 and FFr 10.9225 compared with FFr 10.94.

D-MARK — Trading range against the dollar in 1984-85 is 3.2950 against 2.5535. January average 3.1698. Exchange rate index 119.1 against 123.4 six months ago.

The dollar rose to its best fixing level since December 1971 in Frankfurt yesterday, rising to DM 3.2782 from DM 3.2573. The Bundesbank sold $25.8m at the fixing up from $11.65 on Monday but there was no intervention in open trading. A steady corporate demand combined with further buying to participate in the latest U.S. Treasury refunding programme to push the dollar to record highs against many currencies. In addition there was no indication of any central bank intervention on anything like the scale feared after the recent meeting of finance ministers in the U.S., despite the relatively thin trading conditions brought about by the partial closure of U.S. markets for a holiday.

Sterling fell to DM 3.5880 from DM 3.5980 and the French franc was lower at DM 32.770 from DM 32.775 per FFr 100. The Belgian franc was also weaker at DM 4.9830 per BFr 100 from DM 4.9910 while the Swiss franc improved to DM 1.1762 compared with DM 1.1701.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Feb 12	Previous
8.30 am	71.2	71.5
9.00 am	71.2	71.4
10.00 am	71.2	71.4
11.00 am	71.2	71.4
Noon	71.2	71.4
1.00 pm	71.1	71.5
2.00 pm	71.2	71.5
3.00 pm	71.1	71.3
4.00 pm	71.0	71.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.6480	−0.56	+0.25	±1.5428
Danish Krone	8.14104	7.95234	−2.32	−1.51	±1.6421
German D-Mark	2.24184	2.22630	−0.69	+0.12	±1.1453
French Franc	6.87456	6.79243	−1.19	−0.38	±1.3658
Dutch Guilder	2.52595	2.52009	−0.23	+0.58	±1.5165
Irish Punt	0.72569	0.715647	−1.38	−0.57	±1.6671
Italian Lira	1403.49	1368.99	−2.46	−2.28	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	February 12	Prev. close
£ Spot	N/A	$1.1040-1.1058
1 month	N/A	0.48-0.44pm
3 months	N/A	1.04-1.00pm
12 months	N/A	1.80-1.70pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0845-1.0965	1.0875-1.0885	0.52-0.48c pm	5.51	1.33-1.29pm	4.82
Canada	1.4530-1.4690	1.4535-1.4555	0.57-0.48c pm	4.33	1.38-1.26pm	3.63
Nethlnd.	4.04½-4.06¼	4.05¼-4.06¼	2½-2¼c pm	7.01	7-6¾pm	6.77
Belgium	71.64-72.10	71.85-71.95	26-20c pm	3.84	65-56pm	3.37
Denmark	12.77½-12.83¼	12.78½-12.79½	5½-4¼ore pm	4.51	11-9¾pm	3.26
Ireland	1.1500-1.1574	1.1500-1.1510	0.07p pm-0.11dis	−0.21	0.08pm-0.23d	−.13
W. Ger.	3.57-3.59½	3.58-3.59	2½-2¼pf pm	7.95	6⅞-6¾pm	7.53
Portugal	196.40-201.05	196.50-200.00	180-520c dis	−21.18	485-1375d	−18.76
Spain	197-198¾	197-197½	35-15c pm	1.52	55-30pm	0.86
Italy	2,192½-2,209¾	2,199-2,200	2lire pm-2dis	—	2-6dis	−0.73
Norway	10.24-10.32¼	10.27½-10.28½	2¼-1½ore pm	2.12	4¾-3¾pm	1.63
France	10.90¼-10.96¾	10.91½-10.92¾	3¼-3¼c pm	3.78	9-8¾pm	3.14
Sweden	10.11½-10.16¾	10.14-10.15	¼ore pm-¼dis	−0.30	1-1¼dis	−0.27
Japan	285¼-287¼	285¾-286¾	1.90-1.78y pm	7.67	5.37-5.21pm	7.39
Austria	25.03-25.25	25.08-25.14	15¾-14gro pm	7.08	43¼-40¼pm	6.67
Switz.	3.03½-3.06¾	3.04¼-3.05¼	2¾-2c pm	8.37	6¾-6pm	8.04

Belgian rate is for convertible francs. Financial franc 72.15-72.25.
Six-month forward dollar 2.05-1.97c pm. 12-month 2.65-2.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0845-1.0965	1.0875-1.0885	0.52-0.48c pm	5.51	1.33-1.29pm	4.82
Ireland†	0.9450-0.9511	0.9450-0.9460	0.46-0.41c pm	5.51	1.24-1.14pm	5.02
Canada	1.2277-1.3398	1.3392-1.3397	0.12-0.15c dis	−1.21	0.38-0.43d	−1.21
Nethlnd.	3.7015-3.7350	3.7335-3.7345	0.50-0.47c pm	1.56	1.80-1.77pm	1.92
Belgium	66.81-66.13	66.00-66.10	12-13c dis	−2.28	34-38dis	−2.13
Denmrak	11.67¼-11.77½	11.74½-11.75¼	¾-1¼ore dis	−1.02	3¼-3¾dis	−1.19
W. Ger.	3.2700-3.2980	3.2945-3.2955	0.66-0.61pf pm	2.32	2.23-2.18pm	2.68
Portugal	180-184	180.183	250-550c dis	−26.30	650-1450d	−22.01
Spain	180.40-181.70	181.50-181.70	51-60c dis	−3.68	155-170dis	−3.59
Italy	2,009-2,025	2,024½-2,025½	8½-9lire dis	−5.19	27-27¼dis	−5.42
Norway	9.39-9.44	9.43½-9.44	2½-3ore dis	−3.50	6¼-7¼dis	−2.97
France	10.00-10.05	10.04¼-10.04¾	1.40-1.50c dis	−1.74	4.10-4.40d	−1.70
Sweden	9.26-9.32½	9.31-9.31½	4-4½ore dis	−5.49	11¾-12¼dis	−5.17
Japan	261.75-263.20	263.10-263.20	0.50-0.48y pm	2.19	1.75-1.70pm	2.63
Austria	22.97¼-23.18	23.13-23.18	3½-3¼gro pm	1.82	13½-11½pm	2.17
Switz.	2.7830-2.8050	2.8005-2.8015	0.71-0.65c pm	2.92	2.33-2.27pm	3.29

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 66.30-66.40.

OTHER CURRENCIES

Feb. 12	£	$		£ Note Rates
Argentina Peso	256.66-257.12	235.35-235.56	Austria	25.10-25.35
Australia Dollar	1.4595-1.4620	1.3350-1.3360	Belgium	72.05-72.85
Brazil Cruzeiro	3,967-3,991	3,638-3,656	Denmark	12.76-12.88
Finland Markka	7.4530-7.4560	6.8340-6.8360	France	10.90-11.00
Greek Drachma	144.09-147.69	131.47-134.63	Germany	3.57¼-3.60¼
HongKong Dollar	8.5110-8.5210	7.8015-7.8035	Italy	2195-2230
Iran Rial	105.70*	95.10*	Japan	287-291
KuwaitDinar(KD)	0.3350-0.3370	0.30855-0.30866	Netherlands	4.04-4.08
Luxembourg Fr	71.85-71.95	66.00-66.10	Norway	10.26-10.36
Malaysia Dollar	2.7835-2.7885	2.5515-2.5545	Portugal	193-210
New Zealand Dlr.	2.4035-2.4085	2.1980-2.2010	Spain	195-204½
Saudi Arab Riyal	3.9065-3.9110	3.5825-3.5830	Sweden	10.12-10.22
Singapore Dollar	2.4660-2.4710	2.2610-2.2650	Switzerland	3.04-3.07
Sth African Rand	2.0110-2.0280	1.8520-1.8570	United States	1.08½-1.10½
U.A.E. Dirham	4.0040-4.0090	3.6720-3.6730	Yugoslavia	285-330

* Selling rates.

CURRENCY MOVEMENTS

Feb. 12	Bank of England Index	Morgan Guaranty Change %
Sterling	71.0	N/A
U.S. dollar	151.1	"
Canadian dollar	91.2	"
Austrian schilling	109.1	"
Belgian franc	88.0	"
Danish Kroner	75.8	"
Deutsche mark	119.1	"
Swiss franc	133.2	"
Guilder	109.0	"
French franc	63.2	"
Lira	46.3	"
Yen	151.8	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.619769
U.S. $	8	N/A	0.677718
Canadian $	10.31	*	0.907193
Austria Sch.	4½	N/A	15.6417
Belgian Fr	11	N/A	44.6480
Danish Kr	7	N/A	7.95234
Dmark	4½	N/A	2.22630
Guilder	5½	N/A	2.52009
French Fr	9½	N/A	6.79243
Lira	15½	N/A	1368.99
Yen	5	N/A	177.935
Norway Kr	8	N/A	6.39223
Span'h Pta	½	N/A	122.769
Swedish K	9	N/A	6.30296
Swiss Fr	4	N/A	1.89334
Greek Dr'ch	20½	N/A	90.3601
Irish Punt	12¾	N/A	0.715647

* C$/SDR rate for Feb. 12: 1.29139.

EXCHANGE CROSS RATES

Feb. 11	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.088	3.585	286.3	10.92	3.048	4.063	2200.	1.455	71.90
U.S. Dollar	0.919	1.	3.295	263.2	10.05	2.801	3.734	2026.	1.337	66.05
Deutschem'rk	0.279	0.303	1.	79.85	3.047	0.850	1.133	613.5	0.406	20.06
Japanese Yen 1,000	3.493	3.801	12.52	1000.	38.16	10.65	14.19	7684.	5.081	251.2
French Franc 10	0.916	0.996	3.282	262.1	10.	2.790	3.719	2014.	1.332	65.83
Swiss Franc	0.328	0.357	1.176	93.93	3.584	1.	1.333	721.7	0.477	23.59
Dutch Guilder	0.246	0.268	0.882	70.46	2.689	0.750	1.	541.4	0.358	17.70
Italian Lira 1,000	0.455	0.495	1.630	130.1	4.965	1.386	1.847	1000.	0.661	32.69
Canadian Dollar	0.688	0.748	2.465	196.8	7.509	2.095	2.793	1512.	1.	49.43
Belgian Franc 100	1.391	1.513	4.986	398.1	15.19	4.239	5.650	3059.	2.023	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	14-14¼	—	9-9¼	6⅝-6⅞	1½-1¾	5¾-5⅞	10⅛-10⅝	14-15	10-10½	10¼-10½	6⅛-6¼	9⅛-9⅝
7 days' notice	14-14¼	8⁵⁄₁₆-8⁷⁄₁₆	9⅝-9¾	6⅝-6⅞	1¾-2	5¹³⁄₁₆-5¹⁵⁄₁₆	10⅛-10⅝	13⅞-14¾	10-10½	10½-10¾	6¼-6⁷⁄₁₆	9⅛-9⅝
Month	14⅛-14⁷⁄₁₆	8⅝-8¾	9⅞-10	6⅞-7	5⅜-5½	5¹³⁄₁₆-5¹⁵⁄₁₆	10⅛-10⅝	14-14½	10¼-10⅝	10⅛-10¾	6⁵⁄₁₆-6⅜	9-9½
Three months	14⁵⁄₁₆-14⁷⁄₁₆	9⅛-9⅜	10⅛-10⅜	7-7⅛	5⅝-5¾	5⅝-5¹³⁄₁₆	10⅝-11⅟₁₆	14½-15	10⅛-11	10¾-11	6⁵⁄₁₆-6⅜	10½-11
Six months	13⅞-13½	9⁵⁄₁₆-9⅞	10⅝-10⅞	7⅛-7¼	5¹³⁄₁₆-5¹⁵⁄₁₆	5⅝-5⅞	11¼-11⅝	14⅞-15¼	10¾-11¼	10¾-11	6⅜-6½	10⅝-10⅞
One year	12¾-12⅞	10⁵⁄₁₆-10⁷⁄₁₆	10⅞-11½	7⁵⁄₁₆-7⁷⁄₁₆	5¹³⁄₁₆-5¹⁵⁄₁₆	5⅝-5¾	11⅛-11⅝	15¼-15⅝	11-11½	10⅞-11⅛	6⁷⁄₁₆-6⅝	10⅝-11⅛

Asian $ (closing rates in Singapore): Short-term 8⁵⁄₁₆-8⁷⁄₁₆ per cent; seven days 8½-8⅝ per cent; one month 8⁹⁄₁₆-8¹¹⁄₁₆ per cent; three month 9-9⅛ per cent; six months 9⅜-9½ per cent; one year 10⁵⁄₁₆-10⁷⁄₁₆ per cent. Long-term Eurodollars: two years 10¾-11 per cent; three years 11-11¼ per cent; four years 11⅜-11⅝ per cent; five years 11⅝-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London resigned to 14% base rates

Interest rates continued to rise on the London money market yesterday, leaving dealers resigned to the present level of base rates at least until the Budget on March 19, and possibly some time longer. Very short-term rates were not much moved, but longer term rates rose, flattening the reversed yield curve as prospects for lower base rates faded.

There was no sign of panic, but bill rates have now moved into line with the Bank of England's intervention rates, and the market is more ready to sell bills outright to the authorities than for some time. The Bank of England bought a few long dated band 4 bills outright for the first time since the last increase in base rates at the end of last month. This was not considered particularly significant by the market, but was none the less a sign of changing expectations.

Three-month interbank closed at 14¼ per cent compared with 13⅞ per cent, while buying rates for three-month bank bills rose to 13¾-13⁷⁄₁₆ per cent from 13⅝-13⅜ per cent.

The Bank of England forecast a money market shortage of £550m, and gave total help on the day of £594m. An early round of assistance was provided, amounting to £96m, through outright purchases of £6m bank bills in band 1 (up to 14 days maturity) at 13⅞ per cent; £87m bank bills in band 2 (15-33 days) at 13¾ per cent; £2m bank bills in band 3 (34-63 days) at 13⅝ per cent; and £1m bank bills in band 4 at 13½ per cent.

A further £96m bills were bought before lunch, through £50m bills purchased for resale to the market on February 19 at 13⅞ per cent, plus £46m bills outright, by way of £10m Treasury bills in band 3 at 13⅝ per cent; £9m bank bills in band 3 at 13⅝ per cent; and £27m bank bills in band 4 at 13½ per cent.

In the afternoon another £352m bills were bought outright, by way of £256m bank bills in band 1 at 13⅞ per cent; £83m bank bills in band 2 at 13¾ per cent; and £13m bank bills in band 3 at 13⅝ per cent. The Bank of England also provided late assistance of around £50m.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

Feb. 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.90-6.00	10⅞	2⅛-2⅝	6⅛-6⅝	6.28175	15⅞-16¼	8.85	14⅛-14⅝
One month	5.60-5.75	10⅛-10¹¹⁄₁₆	5⅛-5⅝	5⅞-6⅛	6.34375	15¾-16⅛	10⅝-10⅞	14¾-15
Two months	5.95-6.10	10⅜-10¹¹⁄₁₆	—	—	—	—	—	14⅝-14⅞
Three months	6.10-6.25	10⅝-10¾	5⅝-5¹¹⁄₁₆	6⅞-7	6.34375	15¾-16⅛	10¾-11	14⅝-14⅞
Six months	6.30-6.45	10⅝-10¾	—	7⅛-7⅜	—	—	10¾-11	14⅝-14⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10½	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Feb. 12 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	8-14⅜	13⅞-14¼	14-14½	10-14	—	—	—	—	—
2 days notice	—	—	14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14⅜	14⅛-14¼	14⅜-14⅛	13⅞-14	—	—	—	—	—
One month	14⅛-14⁷⁄₁₆	14¼-14½	14¼	14⅜-14½	13⅞	13¾	13¼	13¹³⁄₁₆	13¹³⁄₁₆-13¾	14⅛
Two months	14⅛-14	14-14⅜	14⅛	14¼	13	13⅝	13½	13⅝	13½-13⅜	14⅛
Three months	13-13⅞	13¾-14¼	13⅞	14⅛	12½	13½	13⅝	13⅞	13½-13⁷⁄₁₆	14⅛
Six months	13¼-12¾	13-13½	13¼	—	—	—	—	12½-12⅝	12⅝	13¼
Nine months	12⅝-12⅜	12⅝-13	—	—	—	—	—	—	—	—
One year	12½-12¼	12⅜-12⅝	12½	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅝-15	—	14¼	8.55-8.65	8⁵⁄₁₆-8⁷⁄₁₆	10¼-10⅝
Two months	14¼-14⅝	—	13¼	8.70-8.80	8⅝-8⅞	10¼-10⅞
Three months	13⅞-14¼	—	14⅛	8.8-8.9	8¹¹⁄₁₆-8¹³⁄₁₆	10¼-10⅞
Six months	12¾-13⅛	—	12⅝	9.2-9.3	8¹³⁄₁₆-9⅛	10¼-10⅞
Nine months	12⅝-13¼	—	13	9.45-9.55	—	—
One year	12⅝-13	—	12⅞	9.7-9.9	9⅛-9⅜	10⅛-10⅝
Two years	—	12⅛	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	11⅞	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period January 2 to February 1985 (inclusive): 11.840 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from February 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 12.3781 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 13½ per cent; one-three months 13¾ per cent; three-six months 12¾ per cent; six-nine months 12¾ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from February 13. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. February 12)

3 months U.S. dollars	
bid 9 1/16	offer 9 3/16

6 months U.S. dollars	
bid 9 7/16	offer 9 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Lunchtime

Prime rate	10½
Broker loan rate	9⅞
Fed Funds	—
Fed funds at intervention	—

Treasury Bills

One month	—
Two month	—
Three month	—
Six month	—
One year	—

Treasury Bonds

Two year	—
Three year	—
Four year	—
Five year	—
Seven year	—
10 year	—
30 year	—

FINANCIAL FUTURES

Nerves over pound

The pound's decline against a very strong dollar put selling pressure on sterling denominated contracts on the London International Financial Futures Exchange yesterday. Gilts opened steady and although a major stockjobber was reported to be selling there were enough buyers around to push March delivery up to 103-15 from the previous close of 103-13. After a peak of 103-22 the market became nervous, and selling increased as the pound fell below $1.09, with traders again talking of early parity with the dollar. The contract touched a low of 102-22, and closed at 102-26.

Three-month sterling deposits for March opened weak at 86.85, but this prompted immediate buying, largely on profit taking, after a large sell off on Monday. As with gilt futures the rest of the day was spent "cable watching" as sterling fell to new lows against the dollar. March deposits finished at the day's low of 86.32, compared with 86.95 previously.

The FTSE 100 index was weak as equity prices fell on the London Stock Exchange in reaction to the depressed pound against the dollar.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.58	90.64	90.55	90.75
June	89.94	90.03	89.90	90.18
Sept	89.40	89.43	89.35	89.61
Dec	88.94	88.95	88.90	89.15
March	88.57	—	—	88.78

Est volume 4,885 (2,534)
Previous day's open int 14,545 (14,517)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	86.32	86.92	86.32	86.95
June	87.61	88.20	87.55	88.26
Sept	88.32	88.70	88.32	88.77
Dec	88.50	88.85	88.50	88.90
March	88.75	88.80	88.75	88.85

Est volume 3,605 (3,318)
Previous day's open int 6,114 (6,307)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	102-26	103-22	102-22	103-13
June	102-29	103-01	103-00	103-13
Sept	106-15	—	—	106-31
Dec	106-06	—	—	106-22
March	105-27	—	—	106-11

Est volume 3,187 (3,321)
Previous day's open int 5,403 (5,472)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −8 to 2 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.0845	1.0894	1.0842	1.0905
June	1.0740	1.0805	1.0740	1.0806
Sept	1.0690	—	—	1.0745

Est volume 749 (422)
Previous day's open int 6,736 (6,343)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3040	0.3053	0.3040	0.3062

Est volume 18 (60)
Previous day's open int 199 (181)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3576	0.3595	0.3576	0.3590
June	0.3608	—	—	0.3622

Volume 20 (nil)
Previous day's open int 111 (111)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.3806	—	—	0.3832
June	0.3833	—	—	0.3859

Est volume nil (1)
Previous day's open int 114 (114)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	126.40	129.05	126.30	129.25
June	126.70	—	—	129.55
Sept	127.05	—	—	129.90

Est volume 557 (389)
Previous day's open int 1,311 (1,341)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	71-24	71-26	71-19	72-06
June	70-23	—	—	71.05

Est volume 742 (779)
Previous day's open int 2,589 (2,730)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	71-25	71-25	71-20	71-26
June	70-23	70-24	70-18	70-24
Sept	69-29	69-30	69-26	69-29
Dec	69-07	69-07	69-01	69-08
March	68-21	68-21	68-18	68-22
June	68-05	68-05	68-02	68-07
Sept	67-24	67-24	67-21	67-28
Dec	—	—	—	67-15
March	—	—	—	67-05
June	—	—	—	66-28

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	91.67	91.70	91.66	91.71
June	91.21	91.25	91.21	91.27
Sept	90.72	90.73	90.72	90.77
Dec	90.31	90.32	90.31	90.36
March	89.96	89.99	89.96	90.01
June	89.68	89.69	89.68	89.72
Sept	89.45	—	89.45	89.49
Dec	89.21	—	89.21	89.26

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.96	90.97	90.89	90.99
June	90.34	90.34	90.28	90.39
Sept	89.79	89.80	89.78	89.86
Dec	89.30	89.30	89.29	89.39

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	90.59	90.62	90.55	90.63
June	89.95	89.99	89.92	90.02
Sept	89.39	89.42	89.36	89.46
Dec	88.93	88.96	88.91	88.99
March	88.55	88.55	88.54	88.61
June	88.23	88.23	88.21	88.29
Sept	87.95	87.95	87.95	88.01

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.0840	1.0900	1.0830	1.0920
June	1.0745	1.0780	1.0720	1.0825
Sept	1.0710	1.0720	1.0705	1.0780
Dec	1.0680	1.0680	1.0660	1.0760

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-18	69-18	69-13	69-17
June	68-29	68-29	68-26	68-28
Sept	—	—	—	68-06
Dec	—	—	—	67-22
March	—	—	—	—
June	—	—	—	66-22
Sept	—	—	—	66-10

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅛ 88	150	103⅛	103⅝	−0⅛	−0⅝	11.49
Austria Rep 13⅝ 92	100	109⅝	110⅛	−0¼	−0½	11.48
Bank Of Tokyo 12⅝ 92	100	100⅝	101⅛	−0⅜	0	12.40
Bank of Tokyo 13⅝ 91	100	107⅜	107⅞	−0⅜	−0¼	11.81
Caisse Nat Tele 13¾ 91	100	107¾	108¼	−0⅜	−0¼	11.85
Canadian Pac 12½ 99	75	102	102½	−0⅛	−0⅜	12.14
CBS Inc 11⅛ 92	100	99⅛	99⅝	−0⅜	−0⅛	11.48
Chevron U.S.A. 12¼ 88	800	101⅞	102⅜	−0⅝	−0⅞	11.59
Creditanstalt 13⅛ 91	100	105⅝	106⅛	−0⅜	+0¾	11.77
Denmark Kingdom 13 91	100	104⅛	104⅝	−0¼	−0½	11.94
Denmark Kingdom 13¼ 91	100	†105⅞	106⅜	−0⅛	+0½	11.83
Denmark 13⅝ 88 XW	100	105⅝	106⅛	−0⅛	−0⅝	11.63
Denmark Kingdom 14 91	100	107¼	107¾	0	+0⅛	12.28
E.I.B. 12½ 90	100	103⅞	104⅜	−0⅛	0	11.38
E.I.B. 12⅞ 94	100	105⅜	105⅞	−0¼	−0⅛	11.82
E.I.B. 13 96	200	104⅜	104⅞	−0⅛	0	12.20
Ex-Im Bk Japan 13¼ 91	75	107⅞	108⅜	−0⅛	−0¼	11.35
Export Dev Corp 12 88	100	102¼	102¾	−0⅛	−0⅞	11.25
Exxon Capital Corp 0 2004	1800	11¼	11¾	0	+0¼	11.57
Florida Fed Sav 12⅞ 89	100	†102⅞	103⅜	−0⅛	−0½	11.37
General Mills 12 91 XW	100	*†100⅜	100⅞	0	0	11.84
IBM Credit Corp 11⅜ 87	200	101⅜	102⅛	−0⅛	−0⅝	10.78
Indust Bk Japan 12⅞ 89	100	104	104½	−0¼	+0¼	11.59
Indust Bk Japan 13⅞ 91	125	109¼	109¾	−0⅛	−0⅛	11.64
Int-Am Dev Bk 12¾ 91	150	103¼	103¾	−0⅝	−0⅛	11.96
Japan Air Lines 13⅝ 94	100	†111½	112	−0⅛	−0⅛	11.26
Kellogg Company 10⅞ 90	100	98⅞	99⅜	−0⅛	−0¼	11.18
Kellogg Company 11¼ 92	100	100¼	100¾	−0¼	+0⅛	11.16
L.T.C.B. 12⅝ 91	100	104¾	105¼	−0½	−0⅛	11.73
Macy Cred Corp 11¾ 95	100	99⅛	99⅝	−0⅜	−0¼	11.86
Mellon Bank 13 87	100	103¼	103¾	−0⅛	−0⅜	11.27
Merrill Lynch 12⅞ 88	100	102⅜	102⅞	−0⅛	−0⅛	11.93
Minnesota 11½ 87	100	101	101½	−0⅛	−0¼	10.88
Mitsubishi Corp 13⅝ 88	100	105⅞	106⅜	−0⅛	−0⅜	11.37
Montagu 13⅛ 91	100	†105	105½	0	0	12.00
Morgan Guaranty 12⅛ 89	150	101⅝	102⅛	−0⅛	−0¼	11.63
Morgan Guaranty 12⅞ 89	150	101⅞	102⅜	−0⅛	−0¼	11.71
Nippon Cred Bk 13⅞ 89	100	106¼	106¾	−0¼	−0⅝	11.84
Nth America 12⅞ 91	100	102⅝	103⅛	−0¼	−0⅝	12.18
Penney J.C. 12¾ 91	100	104⅝	105⅛	0	+0¾	11.59
Pru Realty secs 12⅛ 95	546	101	101½	+0⅛	−0⅛	11.98
Quebec Hydro 11½ 92	100	†100½	100⅞	−0¼	−1	11.36
Ralston Purina 12¾ 89	100	103¾	104¼	−0¼	−0⅛	11.55
Royal Bk Can 12¾ 92 XW	100	†100½	101	+0¼	+0⅛	12.58
Saskatchewan 11 7/8 89	100	102⅛	102⅝	−0¼	−0¼	11.17
S.N.C.F. 12⅞ 92 XW	100	100½	101	−0⅛	−0⅛	12.20
Statoil 12 88	100	103½	104	−0¼	+0⅛	10.52
Statoil 13½ 89	100	107⅝	108⅛	−0⅛	−0⅛	11.11
Sumitomo Fin 12¾ 91	150	103	103½	−0¼	−0⅝	11.85
Swed Exp Cred 12⅛ 88XW	100	103½	104	−0¼	0	11.60
Sweden Kingdom 11½ 88	200	100⅛	100⅝	−0⅛	−0⅛	11.37
Sweden Kingdom 11⅞ 94	100	99⅞	100⅜	−0½	−0¼	11.71
Texaco Capital 12⅞ 87	300	†103⅛	103⅝	−0¼	−0⅛	11.28
Texaco Capital 13½ 89	200	106⅝	106⅞	−0⅛	0	11.47
Toronto Dom Bk 12½ 88	100	†102	102½	−0¼	−0⅛	11.57
Walt Disney Pro 12½ 87	150	102⅜	102⅞	−0⅛	−0⅛	11.22
Weyerhaeuser 12¾ 87	150	101¾	102¼	−0⅛	+0⅝	11.28
World Bank 12¼ 94	150	102⅜	102⅞	−0⅜	−0⅛	11.76
World Bank 12⅞ 94	200	105⅜	105⅞	−0⅛	−0⅜	11.83

Average price change On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amca Int'l 8¼ 91	100	101⅝	102⅛	−0⅜	−0⅞	7.88
Asian Dev Bank 8 94	200	98¼	98¾	−2¼	−2¾	8.22
Austria Republic 7⅝ 94	200	98⅛	98⅝	−1⅛	−1⅜	7.88
Baxter Travenol 7¼ 94	200	98⅛	98⅝	−0⅝	−1⅛	7.58
Credit National 8⅛ 94	200	100⅞	101⅜	−0½	−1⅜	7.84
Degussa Int Fin 7½ 94	100	98½	99	−2	−2¼	7.70
E.E.C. 8 92	200	100⅛	100⅝	−1½	−2½	7.83
E.I.B. 8 91	250	100⅝	101⅛	−0⅝	−1⅞	7.82
Escom 8 92	150	99½	100	+0⅛	−0½	8.04
Ferrovie Dello Stato 8 91	100	101⅞	102⅜	−0⅝	−0⅝	7.55
Finland Rep 7½ 91	150	99½	100	−0½	−1	7.53
Gould Int Fin 7⅝ 91	100	99⅝	100⅛	−0⅝	−0½	7.64
Int Standard Ele 7⅜ 90	100	98¼	98¾	−1½	−3⅛	7.70
Ireland 8⅛ 92	150	99¼	99¾	−0½	−2	8.21
Japan Fin Corp 7⅝ 91	100	99½	100	−0½	−1½	7.66
Megal Fin 8¼ 94	150	102	102½	+0⅛	−1	7.88
Mitsubishi Hvy 3½ 89WW	300	101⅜	101⅞	−0½	−0⅞	3.07
Mitsubishi Hvy 3½ 89XW	300	89½	90	−0⅛	−1	6.39
O.K.B. 7½ 89	100	99	99½	−0½	−1	7.72
Pepsico O/S Fin 7⅛ 94	250	97	97½	−1⅞	−3¼	7.60
Reynolds O/S Fin 7⅜ 94	125	96⅞	97⅜	−2	−3¼	7.86
Societe Cent Nucleaire 8 91	100	99⅜	99⅞	−0⅛	−3⅜	8.06
Sth Africa Rep 8½ 91	200	102¼	102¾	−0⅝	−1	8.00
Sth African Tran 7⅝ 92	100	95½	96	−0⅛	−0⅝	8.38
World Bank 7¾ 89	100	100⅝	100⅞	−0¼	−1½	7.56
World Bank 8 94	200	100	100½	−0½	−1⅜	7.96

Average price change On day −0¾ on week −1½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101	101¼	−1¼	−1¼	6.09
Asian Dev Bank 6⅛ 96	100	†101	101¼	0	−0¼	5.98
Avon Cap Corp 5⅝ 94	130	†98	98¼	−0⅛	+0¼	5.63
Brit Land Comp 6⅛ 99	75	†102	102¼	−0½	−0½	6.27
Council of Europe 6 92	120	†101¼	101½	−0⅝	−0⅝	5.77
Creditanstalt 5½ 94	100	†98	98¼	−0½	−0½	5.75
Deutsche Bk Fin 5⅜ 95	100	†99¼	99½	−0⅝	−0⅝	5.46
E.I.B. 5⅝ 94	120	†99¾	100	−0⅝	−0¼	5.60
Eurofima 5 97	100	†98⅝	99	−2	−2	5.13
Eurofima 5⅛ 98	100	*†101¼	101½	0	0	5.09
Export Dev Corp 5⅝ 92	125	†100	100¼	−0⅜	−0⅝	5.35
First Boston Inc 5¾ 94	60	†100	100¼	−0⅝	−0⅝	5.73
Gen Occidentale 4½ 94	60	†105¾	106	+5⅜	+5⅜	3.77
I C Industries 5⅝ 94	125	†99	99¼	−1½	−1½	5.74
Ind Fund Fin 5¾ 94	40	†99¼	99½	−0⅝	−0⅝	5.83
Int-Am Dev Bk 6⅛ 94	120	†101	101¼	+0⅝	−1	5.96
New Zealand Govt 5¾ 94	150	†100½	100¾	0	+0½	5.66
N.Zealand steel 5⅝ 96	70	†98⅞	99	−1⅛	−1⅛	5.88
Oberos Kftwk 5⅜ 95	100	†97¾	98	−2¼	−2¼	5.88
Ost Donaukraft 5⅜ 95	70	†97¾	98	−2¼	−2¼	5.66
Ralston Purina 5⅜ 94	125	†99	99¼	+0⅛	0	5.49
Santos Finance Ltd 6 94	130	†101	101¼	0	−0⅝	5.84
Tokyo Elec Pwr 5½ 93	120	†98⅝	99	−0¼	−0¼	5.68
Tokyo Metropolis 5¼ 94	80	†96¼	96½	−1¼	−1¼	5.47
World Bk 5¾ 94	150	†100¼	100½	0	+0⅝	5.70

Average price change On day −0½ on week −0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Denmark Kingdom 6⅞ 92	20	98	98½	−0⅛	−0⅝	7.48
Goodyear T&R 6⅞ 94	13	95	95½	−0⅝	−0⅝	7.57
Sears,Roebuck 6⅞ 91	13	95⅜	95⅞	−0⅝	−1	7.85
Swed Exp Cred 6⅝ 91	12	95¾	96¼	−0¼	−1	7.52
TRW Inc 7 94	15	96¾	97¼	−0⅜	−0⅞	7.44

Average price change On day −0⅜ on week −0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AMEX 12¼ 91 CS	50	†99⅝	100⅛	−0½	−1⅛	12.23
E.D.C 11½ 89 CS	100	†99⅝	99⅞	+0⅛	−0⅛	11.78
KB Kime N.V. 12 92 CS	75	†98⅛	98⅝	−0⅜	−0⅝	12.38
L.T.C.B 5W 11¾ 90 CS	75	†99⅛	99⅝	−0¼	−0⅝	12.19
Montreal 12⅛ 91 CS	60	†99½	100	−0½	−1⅜	12.20
New Brunswick 12 95 CS	75	†100	100½	−0⅝	−0⅞	11.95
Quebec Urban 12⅝ 91 CS	32	†101½	102	−0⅛	−1⅛	12.21
T.C.P.L. 12⅝ 88 CS	75	†101	101½	−0¼	−1	12.24
Giro Und Bk 10½ 93 ECU	80	†99⅝	100⅛	−0⅝	−1⅝	10.44
World BK 10⅛ 89 ECU	125	†101½	102½	−1	−0⅞	9.69
World Bk 10⅝ 94 ECU	75	†100⅝	101⅛	−1½	−2⅜	10.49
Algemene Bk 7¾ 89 FL	150	100¼	100⅝	−0⅜	−2	7.61
Amro Bank 7⅛ 89 FL	150	98⅝	99⅛	−0¼	−1⅝	7.53
Dai-Ichi 8½ 88 FL	50	102	102½	−0⅝	−1¼	7.87
Friesch-Gron 8¼ 89 FL	50	100	100½	−0¼	−0⅛	8.17
New Zealand 8¼ 89 FL	100	101⅜	102¼	−0⅝	−1⅝	7.68
Charbonnages 13⅝ 95 FF	400	102⅛	103⅜	0	+0⅛	10.38
Air Canada 11¼ 94 £	40	97⅝	98⅛	−0⅜	0	11.82
B.A.T. Int'l 10⅝ 91 £	100	97¼	97¾	−0¼	0	11.28
CBS Inc 10⅝ 94 £	40	94⅜	94⅞	−0⅝	−0⅛	11.81
Denmark 11⅞ 94 £	75	98⅝	99⅛	−0⅝	0	12.06
E.E.C. 11⅜ 94 £	50	99⅜	99⅞	−0½	+0⅝	11.44
Grand Met 10⅝ 90 £	50	95¾	96¼	−0⅜	+1⅜	11.85
ICI Finance 8½ 99 £	100	115¾	116½	0	+2¼	8.73
New Zealand 10⅞ 89 £	100	95½	96	−1⅜	−0⅝	11.94
O.K.B 12¼ 91 £	30	103⅞	104⅜	0	+0½	11.33
Reed Int'l 11⅞ 94 £	30	96⅝	97⅛	−0⅝	+1	12.15
Ryl Bk Canada 10⅞ 91 £	40	94½	95	−0⅝	−0½	12.03
Royal Trustco 12¼ 89 £	30	100	101	−0⅛	−0⅝	12.05
United Tech 11⅝ 89 £	35	102⅜	102⅞	−0⅛	−0⅛	10.95
World Bank 10 5/8 89 £	50	95⅝	96⅛	−0½	−0⅛	11.78
World Bank 11 94 £	50	97	97½	−0⅛	+1⅛	11.47
E.C.S.C. 10½ 94LF	100	†103	104	+0⅜	+0⅜	9.89
Mm Lux Alum 10½ 92 LF	600	†103¾	104¾	+0⅛	+0¾	9.55

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100¼	100½	11/4	11.69	11.64
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	28/12	11⅝	11.50
Bank of Montreal 5 96	0⅛	100⅛	100⅝	28/1	10¼	10.22
Bankers Trust 5¼ 96	0⅛	100⅝	100⅝	13/2	9⅞	9.83
Barclays O/S Inv 5 2004	0⅛	100⅛	100⅝	2/3	12.31	12.28
Belgium 5 2004	0⅛	100⅛	100⅜	11/4	13½	13.03
B.F.C.E. 5⅛ 99	0⅛	100⅛	100⅜	13/3	12.19	12.13
B.N.P. 5¼ 95 (July)	0⅛	98½	99¼	21/1	12.94	12.99
Chase Man'tn 5¼ 2009	0⅛	99⅝	100	5/3	9.56	9.57
Citicorp O/S 5¼ 96 Sep	0⅛	99⅝	100	19/12	11.19	11.20
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/4	11⅝	11.68
Dai-Ichi Kangyo 5¼ 96	0⅛	100⅝	100⅞	13/5	10.96	10.81
Dresdner Fin 5¼ 99	0	99¾	100	23/2	9.81	9.82
E.D.F. 5⅛ 99	0⅛	100½	100¾	23/2	12⅜	12.38
Ireland 5¼ 96	0⅜	100⅝	100⅞	14/3	12⅞	12.31
Italy, Republic 5 94	0⅛	100⅝	100⅞	8/5	9.94	9.91
Lloyds Euro 5 2004 $	0⅛	100	100¼	18/4	11½	11.49
Midland Int Fin 5 99 $	0⅛	100	100¼	8/3	12⅜	12.38
Mort Bk Denmark 5⅛ 89+	0⅛	†100⅜	100½	11/1	11⅞	11.83
Nat West-Perp 5 89	0⅛	100⅜	101	13/5	10⅜	10.29
Queensland Coal 5⅛ 96	0⅛	†101	101¼	8/5	10.06	9.96
Swedish Perp 5⅛ 95	0⅛	100¼	100½	8/2	13⅛	13.20
Takugin 5⅛ 94 $	0⅛	100⅜	100⅝	15/3	12⅛	12.10
Tokai 5⅛ 99	0⅛	†100⅝	101⅛	12/12	12½	12.36
Toyo 5⅛ 98	0⅛	100½	100¾	14/12	12⅝	12.55

Average price change On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	853.64	90⅝	91⅛	−0⅛	2.85
Fanuc 3⅝ 98	1/84	7032.3	140⅝	142	−2⅛	−1.78
Fujitsu 3 99	6/84	1320.0	96⅛	96⅝	−1½	10.24
Honda Motor 5⅛ 98	8/83	884	144⅛	145⅝	−0⅝	1.33
Konishiroku Photo 4 98	10/83	673	94⅛	95⅛	−1⅞	0.06
Marui 3½ 99	7/84	1182	79	80	−1	3.57
Minebea Co Ltd 5½ 98	5/83	987	90⅝	91⅞	−1⅛	1.98
Mitsubishi Elec 5⅛ 98	6/83	398	93⅝	94⅝	−1⅜	3.02
Murata 3½ 99	2/84	2351.2	115	116	−2⅝	1.07
Murata 3½ 2000	7/84	2398	112⅝	113⅝	−2¼	1.82
Nippon Elec 2⅞ 2000	1/85	1286	91⅜	92⅜	−2⅛	7.10
Nippon Oil Co 3⅛ 98	3/84	1052	76	77	−0⅛	0.35
Nissan Motor 5⅛ 98	4/83	780	88½	89½	−0⅝	14.12
Oki Elec Ind 3½ 99	10/84	805	86	87	−0⅛	14.48
Orient Leasing 5⅛ 98	6/83	2680	98⅞	99⅞	−2½	−0.42
Sekisui House 3 99	6/84	612	80⅝	81⅝	−0⅛	1.47
Sumitomo Corp 2⅞ 99	5/84	593	85½	86½	−0⅜	0.66
Takeda Riken 3⅞ 2000	10/84	7063	84⅝	85⅝	+0⅛	19.10
Tokyo Sanyo Elec 3½ 99	12/84	772	88	89	−0⅝	3.58
Yamanouchi Pharma'cal 4 98	10/83	1483.2	257	258	−5⅛	−5.41
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†103½	105½	−0½	10.06
Nippon Shinpan Co 2 92 SF	3/84	881	†94⅛	96⅛	−0⅛	24.00
Settsu Paper 2⅞ 92 SF	4/84	377	†157¾	159⅝	+1⅜	−2.38
Asics 5 92 DM	12/83	528	102½	104⅛	+0⅛	24.47
Sum Realty 6⅛ 92 DM	2/83	365	170	171	−3⅛	−7.12

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cs. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Redemption Notice

City of Oslo (Norway)

9% Sinking Fund External Loan Bonds due March 1, 1988

NOTICE IS HEREBY GIVEN, pursuant to Fiscal Agency Agreement dated as of March 1, 1976 under which the above described Bonds were issued, that Citibank, N.A., Fiscal Agent, has selected by lot for redemption on March 1, 1985 through the operation of the Sinking Fund, $2,793,000 principal amount of said Bonds at the Sinking Fund redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows:

BOND NUMBERS

[illegible]

On March 1, 1985 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment therein of public and private debts, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the **Municipal Processing Window, 5th Floor of Citibank, N.A., 111 Wall St., in the Borough of Manhattan, The City of New York** and subject to applicable laws and regulations, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt (Main), London, Milan and Paris, and Kredietbank, S.A. Luxembourgeoise in Luxembourg. Payment at the offices of Citibank, N.A. in Europe referred to above will be made by check drawn upon a bank in New York City or by a transfer to a dollar account maintained by the payee with a bank in New York City.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due March 1, 1985 should be detached from the Bonds and presented for payment in the usual manner.

For the CITY OF OSLO (NORWAY)
CITIBANK, N.A.
as Fiscal Agent

February 1, 1985

CAPITAL MARKETS

$700m in FRNs well received in depressed market

BY MAGGIE URRY IN LONDON

FLOATING rate notes can still find a good reception in the Eurodollar bond market, as two borrowers demonstrated yesterday. Fixed-rate issues are proving much harder to sell. Many recent issues have slumped to discounts of about 4 points from their issue prices and are still finding little buying interest.

Yesterday's FRN issues were launched by Société Générale and BankAmerica. Société Générale's 12-year issue was increased late in the day from $300m to $400m and continued to trade within the 13 basis-point discount at which co-managers own the bonds. The interest rate will be fixed at 1/16 point above the London interbank offered rate (Libor) for six-month Eurodollar deposits. Total front-end fees are 16 basis points.

BankAmerica's issue, for $300m, also has a 12-year life and was led by Bank of America International. This pays interest at 1/16 point over three-month Libor, fixed monthly but paid quarterly to allow investors to fund their holdings at the usually cheaper one-month Libor rate.

Investors are willing to buy FRN issues at present because if interest rates rise in the short term, the coupons will be fixed at the higher levels. Meanwhile the secondary market is less healthy.

Mellon Bank tested the fixed-rate market with a $100m 10-year issue led by Credit Suisse First Boston. This has a 11⅜ per cent coupon and par issue price. Fees total 2 per cent. Although the terms were thought tight, dealers felt the issue was not mispriced. The bonds were bid at a 2⅛ per cent discount to issue price, however.

Eurodollar bonds fell about ¼ point yesterday in subdued trading, affected by the partial holiday in New York.

With the dollar pushing higher against the D-Mark, foreign bonds denominated in D-Marks fell about ½ point yesterday. Turnover is low and spreads have widened, according to dealers. Domestic bonds were hit even harder, falling about a point.

SHF Bank bond average		
Feb 12		Previous
100.852		101.217
High	1985	Low
103.042		98.056

Bayerische Vereinsbank launched a DM 75m private placement for South African Local Authorities Loans Fund Board. This has a five-year life and 8¾ per cent coupon with a par issue price.

The capital market committee meets today to set the new issue calendar. With many recent issues trading well below issue prices traders are hoping for a small calendar.

Swiss franc foreign bonds are also under a cloud, with short-term interest rates rising ½ point to 5 per cent. Bond prices fell by ¼ to ½ point.

Issues for Shin-Etsu Chemical both in Swiss francs and dollars were priced yesterday. The $30m convertible issue was priced as indicated with a 3 per cent coupon, while the SwFr 80m deal had its coupon cut from 2 to 1⅞ per cent. In each case the conversion price was set at Y1185 compared to a closing share price of Y1140.

Settsu Paperboard appeared in the European Currency Unit bond market with a Ecu 30m issue in the name of its U.S. subsidiary. The five-year bonds have a 9¾ per cent coupon and par issue price. Lead manager is Société Générale de Banque, with Daiwa Europe. The issue was trading around its 1⅞ per cent total fees.

Denmark is tapping the Euro-Norwegian krone bond market for NKr 250m with a seven-year issue paying a 9½ per cent coupon and priced at 100½. Den norske Creditbank is lead manager. This is the first issue in the sector since Eksportfinans' 10¼ per cent issue was launched in December. It is now trading around 103½.